

Making Clackmannanshire Better



**Clackmannanshire
Council**

www.clacksweb.org.uk

Financial Statements 2014 / 2015

Better Services

Better Opportunities

Better Communities

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

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CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2014/15 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:

The map shows five wards: Ward 1 (West), Ward 2 (North), Ward 3 (Central), Ward 4 (South), and Ward 5 (East). Each ward is represented by a box containing the names, photos, and contact details of its elected members, along with their political affiliations.

| Ward | Ward Name | Councillor Name | Party | Contact |
|-----------------------------------|-----------|------------------------|-------|-------------------------|
| Ward 1 - Clackmannanshire West | 1 | George Matchett Q.P.M. | LAB | gmatchett@dacks.gov.uk |
| | | Tina Murphy | SNP | tmurphy@dacks.gov.uk |
| | | Les Sharp | SNP | lsharp@dacks.gov.uk |
| | | Jim Stalker | LAB | jstalker@dacks.gov.uk |
| Ward 2 - Clackmannanshire North | 2 | Donald Balsillie | SNP | dbalsillie@dacks.gov.uk |
| | | Archie Drummond | IND | adrummond@dacks.gov.uk |
| | | Walter McAdam MBE | SNP | wmcamad@dacks.gov.uk |
| | | Robert McGill | LAB | rmcgill@dacks.gov.uk |
| Ward 3 - Clackmannanshire Central | 3 | Derek Stewart | LAB | dstewart@dacks.gov.uk |
| | | Graham Watt | LAB | grahamwatt@dacks.gov.uk |
| | | Ellen Forson | SNP | eforson@dacks.gov.uk |
| | | Craig Holden | SNP | cholden@dacks.gov.uk |
| Ward 4 - Clackmannanshire South | 4 | Janet Cadenhead | LAB | jcadenhead@dacks.gov.uk |
| | | Kenneth Earle | LAB | kearle@dacks.gov.uk |
| | | Ellen Forson | SNP | eforson@dacks.gov.uk |
| | | Craig Holden | SNP | cholden@dacks.gov.uk |
| Ward 5 - Clackmannanshire East | 5 | Alastair Campbell | CON | acampbell@dacks.gov.uk |
| | | Irene Hamilton | SNP | ihamilton@dacks.gov.uk |
| | | Kathleen Martin | LAB | kmartin@dacks.gov.uk |
| | | Gary Womersley | SNP | gwomersley@dacks.gov.uk |

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Council Services

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 2014/15 the Council has had six service groupings each lead by a Head of Service. Corporate and Service Management is provided by the Executive Team, comprising the Chief Executive, Depute Chief Executive and Executive Director. The Council's Corporate Management team comprises the Directors Group plus Heads of Service.

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Council Services

Senior Management Team



Garry Dallas,
Executive Director



Elaine McPherson,
Chief Executive



Nikki Bridle,
Depute Chief Executive



David Leng,
Head of Education
Services

Pre Schools
Primary Schools
Secondary Schools
Psychological Services
Sports Development
Youth Services



Stuart Crickmer,
Head of Strategy and
Customer Services

Performance & Improvement
Risk Management
Information & Statistics
Consultation and
Community Engagement
Community Planning
Communications & Marketing
Equalities & Diversity
Business Support
Members' Services
Libraries and Heritage
Registrars
Leisure Operations
Customer Services
Emergency Planning



Gordon McNeil,
Head of Development
and Environment

Planning & Economic
Development
Environmental Health
Building Standards
Trading Standards
Roads and Transportation
Services
Waste Management
Grounds Maintenance
Burials
Street Cleansing
Licensing
Sustainability
Fleet



Ahsan Khan,
Head of Housing and
Community Safety

Housing maintenance
& Improvements
Tenancy & Estate Management
Housing Options
Housing Business Management
Homelessness Support
& Advice
Housing Development &
Regeneration
Community Safety
Revenues



Stephen Coulter,
Head of Resources and
Governance

Human Resources
Legal Services
Procurement
Democratic Services
Health & Safety
Internal Audit & Fraud
ICT Services,
Accountancy Services
Capital Projects
Estates
Cleaning & Caretaking
Catering
Public Building Maintenance



Val De Souza,
Head of
Social Services

Adult Care:
Adult Support and Protection, home
care, day care, care home provision,
Mobile Emergency Care Services
(MECS), meals on wheels, respite
care, equipment & adaptations,
assessment and care management
Child Care:
Adoption and fostering services, child
protection, family centres, residential
services, looked after children,
services to children with a disability,
or affected by the disability of others
Criminal Justice:
Youth justice, attendance orders,
community payback, probation, sex
offenders programmes, bail services,
managing social work services for the
courts & prison

CLACKMANNANSHIRE COUNCIL
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Management Commentary

Introduction

This commentary sets the scene and context for the Financial Statements for Clackmannanshire Council for the year ended 31 March 2015. This commentary provides specific details in relation to the Council's financial position, its priorities and performance and strategies and plans for achieving these objectives. This is the first year that the Council has prepared a management commentary to ensure compliance with changes specified within The Local Authority Accounts (Scotland) Regulations 2014. The Management Commentary is required to present the collective view of those charged with governance and apply relevant sections of the Companies Act 2006 in respect of the preparation of a Strategic Report. This new requirement sets aside the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK (the Code) requirement for an Explanatory Foreword. The Financial Statements have been compiled in accordance with the Code requirements which govern the format and content contained within them.

Strategic context

Clackmannanshire is located in Scotland's central belt, sharing administrative borders with Stirling, Perth and Kinross and Fife, and with natural boundaries provided by the Ochils and the River Forth. The "Wee County" is one of the smallest mainland councils in Scotland covering 61 square miles and serving a population of 51,190. The Council employs 2,700 staff and has 18 councillors who are selected every five years through local elections. The Leader of the Council is Councillor Les Sharp and the Chief Executive is Elaine McPherson.

In 2014/15 the Council spent £179.9m on delivering a wide range of services for communities across Clackmannanshire. Clackmannanshire is a growing area where there are many opportunities. The context in which the council operates is ever-changing and as contexts change, it is important that the Council is able to change with them to make sure it is doing everything it can to improve people's quality of life and to make Clackmannanshire a better place.

Changes in public sector funding have been a key issue facing all councils for a number of years and this will continue to impact on what councils do and how they do it. While the financial context is challenging, the Council has total revenue and capital budget of £133.5m available to provide the best services it can. Such challenging times also provide significant opportunities for real improvement if the Council and its partners work in a more integrated way and pool their collective resources more effectively. Similarly, legislative changes are making it easier for communities to become more involved in finding solutions and engage more directly in service delivery.

CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2014/15 Management Commentary

Strategic context (continued)

The Council receives regular medium term financial planning information to ensure that its policy, investment and financial decisions are informed by the wider financial context. Budget Strategy Update reports are usually presented at each meeting of the Council, supplemented by financial performance reporting through the year at each service committee meeting. Most recent reports to Council have presented a range of financial planning scenarios which indicate a potential range of between £8.5m and £11.5m in the indicative funding gap for 2016/17 and a cumulative indicative gap to 2018/19 between £15.5m and £25.3m. This is clearly a challenging context but one which also provides significant opportunities to look at how services are delivered with the Council's partners and by the Council.

The Council with its partners has specified nine priority outcomes for Clackmannanshire. These are formalised in the Single Outcome Agreement which is monitored by the Clackmannanshire Alliance, our Community Planning Partnership. The Council's Corporate Plan, "Taking Clackmannanshire Forward" also reflects these ambitions, focussing on specific Council priorities.

Given the Council's context, it is crucial that we maximise the benefit from all of our available resources. To allow us to deliver on our ambitions, the Council has in place its business change programme, "Making Clackmannanshire Better" (MCB). MCB is how the Council needs to do things to ensure that we have a sustainable cost base for the future, sustainability of service delivery and most importantly, how we achieve the nine shared priority outcomes we have set with our community planning partners. Exhibit 1 summarises this strategic context and framework.

Exhibit 1 also highlights the importance the Council places on 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 annual refresh of the agreed Financial Strategy and regular Budget Strategy update reports to Council.

Exhibit 1: Clackmannanshire Council Strategic Framework



CLACKMANNANSHIRE COUNCIL
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Strategic context (continued)

In these challenging circumstances it is vital that we continue to plan ahead and take early action to reduce costs, retaining a clear corporate focus on MCB. This year further changes have been made to our established budget challenge process to ensure it remains integrated with MCB. The process considers both the capital and revenue implications of MCB change proposals for financial planning purposes. 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.

For the first time, in February 2015, the Council set both revenue and capital budgets within the MCB framework and, following budget setting, political leadership of this process has been enhanced through the establishment of the Administration Finance Group and Service Convenor and Vice Convenor leadership of MCB Challenge sessions.

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 and deliver against the nine priority outcomes.

Business Performance

The Council monitors and measures its performance in a number of ways, including:

- annual review of Single Outcome Agreement (SOA) performance which is scrutinised by both the Alliance and the Council's Resources and Audit Committee;
- annual review of the Corporate Plan, "Taking Clackmannanshire Forward", which is reported to the Resources and Audit Committee;
- progress with MCB through update reports to Council and the MCB Member and Trade Union Forums;
- annual reporting of Director of Finance KPIs;
- quarterly reporting of service performance and risks to service committees;
- reporting of corporate risks to the Resources and Audit Committee every six months; and
- review of the Statement of Preparedness which covers those Emergency Planning risks set out in the Community Risk register and developed by the Forth Valley Local Resilience Partnership.

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Business Performance (continued)

A wide range of Public Performance Reports are available by following the link to the Council's website (www.clacks.gov.uk). Regular service performance reports also contain details of both service and financial performance, the most recent reports can be found at <http://clacksweb.org.uk/council/performance/>.

The Council's Corporate Plan sets out the Council's vision for Taking Clackmannanshire Forward through focussing on Better Services, Better Opportunities and Better Communities. Three years into the plan's life cycle, the overall plan is 87% complete. Performance highlights include:

Better Services

The Plan details a vision for integrated and efficient local services which are responsive to local circumstances and need:

- 18/21 actions now complete;
- improvements in service provision through a range of MCB, Alliance initiatives include process improvements in Housing with Vanguard Scotland, and Early Years Collaborative initiatives;
- Leadership development and use of benchmarking focussed on improving awareness of best practice, efficiency and integration; and
- improved satisfaction reported from Clacks 1000 Citizen Survey in respect of delivering more joined up public services (increased from 14% to 42% in the last 5 years) and in rating public service delivery (from 73% to 93%).

Better Opportunities

The plan details a vision to improve the life chances for individuals and create a more positive environment for local businesses. Performance highlights include:

- 19/27 actions are now complete;
- a range of early intervention and prevention actions involving children's services, care and homelessness services have progressed;
- support for business, tourism and the local economy sustained and improved;
- 249 businesses supported by the Economic Development Team;

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Management Commentary

Business Performance (continued)

Better Opportunities (continued)

- 37/44 new business start ups sustained beyond 12 months;
- Tourism revenue increased from £14.56m to £16.11m over the last 4 years;
- improved satisfaction with 'quality of life' reported by Clacks 1000 survey from 69% to 92% over 4 years; and
- positive destinations for school leavers improved from 85% to 93% over 4 years.

Better Communities

The vision focuses on Clackmannanshire's towns and villages with actions focussed on engaging and working with communities to improve community safety, use of open spaces and protecting the natural and built heritage of the area. Performance highlights include:

- 7 actions completed;
- developing models in respect of Community Access Points and hubs;
- the development of Community Action Plans has been supported;
- Village and Small Town Initiatives delivering improvements in Sauchie and Tullibody;
- 93% of Clacks 1000 survey respondents are fairly or very satisfied with their neighbourhood;
- over 5 surveys 'the area has a strong sense of community' has increased from 25% to 58%;
- Street cleanliness performance is high at 9&5; and
- Recycling rate has achieved consistently high ranking improving from 47% to 60%, achieving the national target and leading national performance.

Financial Performance 2014/15

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 2015. A brief explanation of each statement and its purpose is provided on page 62. The Statements are grouped under Core Financial Statements and Supplementary Financial Statements.

An Annual Governance Statement is provided at page 29 and a Remuneration Report is included at page 40.

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Financial Performance 2014/15 (continued)

Against the background of reducing resources the Council has successfully delivered savings in the year in excess of its budgeted requirement. Although this year's statements show a reduction in the Council reserves, they remain higher than projected due to reserves earmarked for 2014/15 that were not fully utilised.

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 2014/15 is detailed in the Comprehensive Income and Expenditure Statement set out on page 66. 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. During the year, regular performance reports to Service Committees and the Resources and Audit Committee provided details of performance of each council service and the Council as a whole respectively. At the end of 2014/15, the surplus achieved in the year compared to budget was £2.251m. A detailed analysis of the Council's finances at its management structure level is disclosed in the Financial Statements Note 11 on page 108.

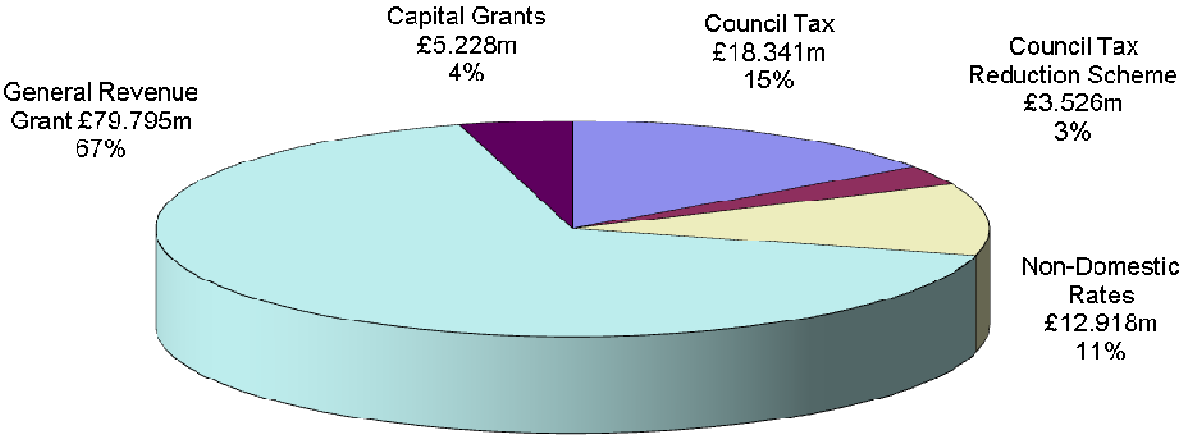
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Management Commentary

Sources of Income to the Council

Exhibit 2: Proportion and source of income received in 2014/15

The largest source of funds was the General Revenue Grant and Non-domestic Rates received from Scottish Government which amounted to £92.713m (2013/14: £90.783m). 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 184). Income from Council Tax in 2014/15 was £18.341m (2013/14: £18.113m). Funding was also received from the Scottish Government for the Council Tax Reduction Scheme for which the Council received income of £3.526m (2013/14: (£3.498m)). In 2014/15 capital grants totalled £5.228m (2013/14: £1.755m). The proportions of income received by the council in each of these categories is shown in the following chart:



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Management Commentary

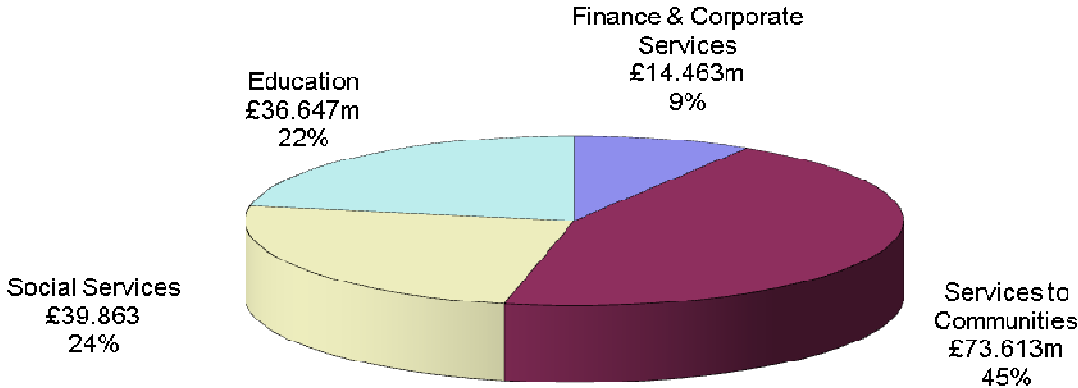
Council Revenue Expenditure Summary

Exhibit 3: Proportion of 2014/15 Revenue Expenditure by Service

In 2014/15 the total operating expenses for service delivery was £164.586m (as detailed in Note 11 of the Financial Statements on page 108). This level of expenditure indicates the significant size and complexity of the organisation.

Exhibit 3 below shows the expenditure apportioned by service with Services to Communities having the highest level of spend and Finance & Corporate Services the lowest

- Key:**
Finance and Corporate Services: finance, governance, strategy and customer services and IT.
Services to Communities: Development management (planning), environmental health, building standards, roads, property maintenance, waste management and housing.
Education.
Social Services

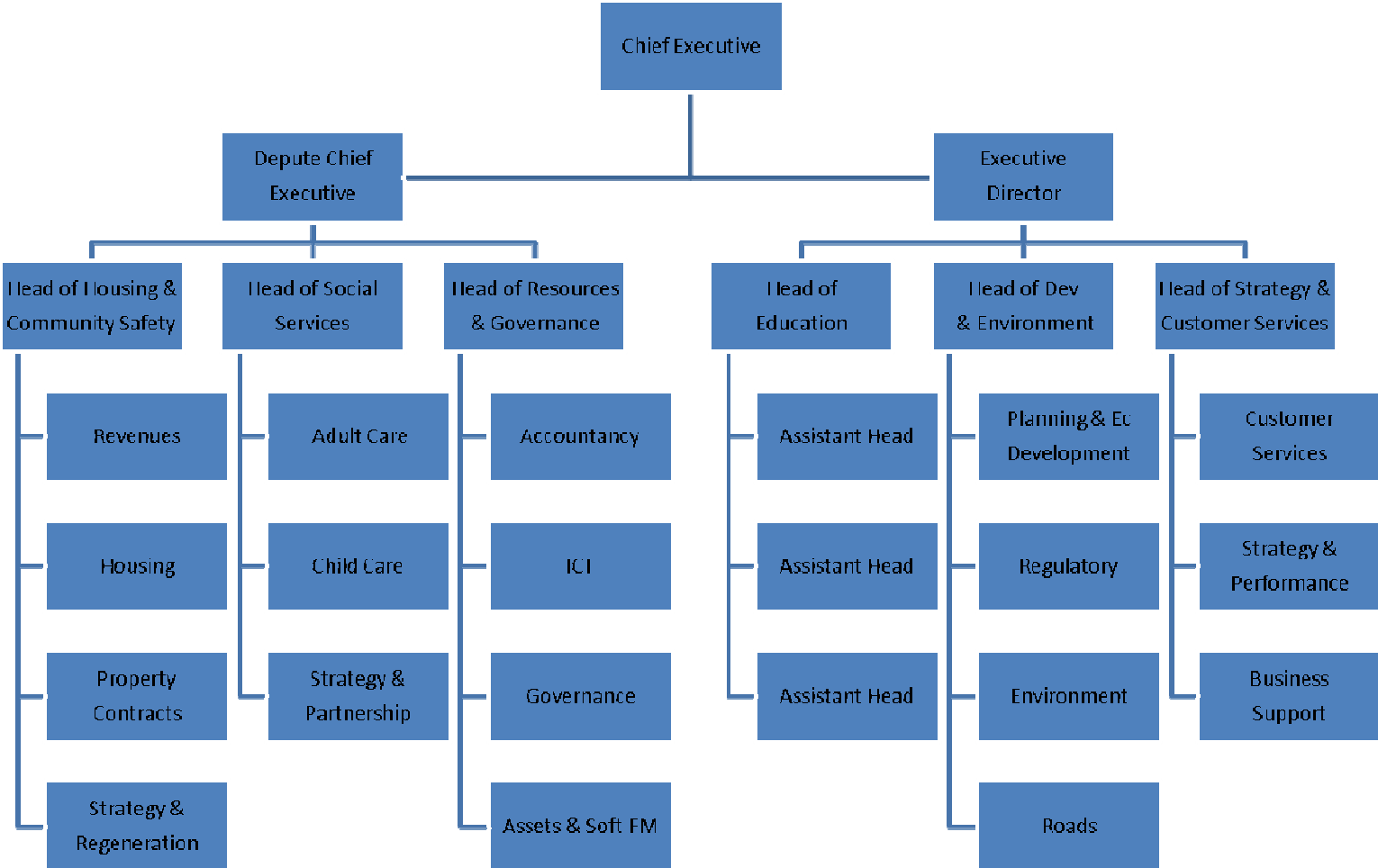


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Management Structure

Exhibit 4: Management Structure

In the last quarter of 2014/15, the Council moved towards implementing its management restructure. This is set out in Exhibit 4 below. This did not impact the classification of service expenditure in 2014/15 but will be reflected in 2015/16 activities.



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Council Reserves

The overall position on Council's Usable Reserves is shown in Exhibits 5-7 with further commentary below the exhibit:

Exhibit 5: 2014/15 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 |
|--|--------------------------------------|---|--|--------------------------------|--|-----------------------|
| Closing Balance as at 31 March 2014 | 12,017 | 3,093 | 3,706 | 1,234 | - | 20,050 |
| Prior Year Adjustment | 276 | - | - | - | - | 276 |
| Opening Balance as at 1 April 2014 | 12,293 | 3,093 | 3,706 | 1,234 | - | 20,326 |
| Enhancements (Utilisation) | (1,766) | (1,655) | 795 | - | 160 | (2,466) |
| Transfers | 1,028 | 468 | (1,555) | 59 | - | - |
| Annual Interest | 54 | 43 | - | - | - | 97 |
| | | | | | | |
| Closing Balance as at 31 March 2015 | 11,609 | 1,949 | 2,946 | 1,293 | 160 | 17,957 |

A comprehensive analysis of the Council's reserves is provided in the Movements in Reserves Statement on page 64 and supporting notes. It will be noted that total usable reserves have decreased from £20.326m at 31 March 2014 to £17.957m at 31 March 2015.

The General Fund has decreased from £12.293m at the start of the year to £11.609m at March 2015. The uncommitted element of this balance, which represents the service income and expenditure approved and monitored throughout the year, recorded a surplus of £2.251m which is an increase on the figure of £1.207m at January 2015 reported to Resources and Audit Committee in April 2015.

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Council Reserves (continued)

Of the £11.609m balance at 31st March 2015, £5.230m 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 6: Committed reserves 2014/15

| | Total |
|---|--------------|
| | £000 |
| Devolved School Management | 216 |
| Corporate Miscellaneous | 560 |
| MCB (previously Spend to Save Fund) | 555 |
| Change Funds | 288 |
| Other Miscellaneous Service commitments | 810 |
| Employment Fund | 1,000 |
| Sum approved in support of 2015/16 Budget | 1,801 |
| Net Committed Reserves | 5,230 |

The uncommitted element of General Fund at March 2015 which is generally available to support future expenditure stood at £6.379m. The Council's Reserves Strategy stipulates that it should retain uncommitted reserves at a minimum level of 3% of net expenditure. The current reserves represent a level of 5.75%.

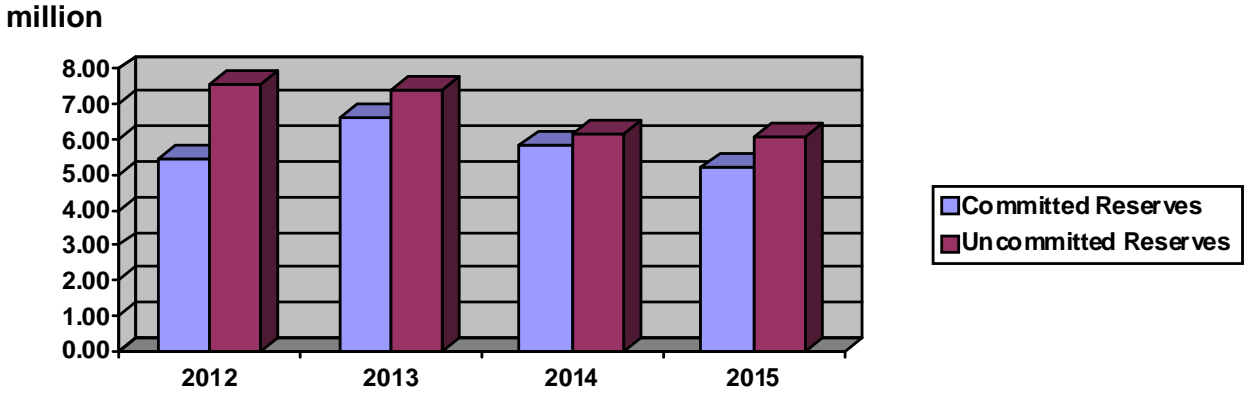
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Management Commentary

Council Reserves (continued)

The movement in the Council's reserve position since 2012 (trend) is shown below:

Exhibit 7: Trend in reserves position 2011/12-2014/15



During the year, greater than usual levels of fluctuation were observed in financial reporting with regards the forecast outturn. Improvement in this area has been prioritised with a focus on verification and validation of the management information provided by Services in support of forecasts. In addition, a quarterly newsletter, Focus on Finance, is being produced. It is aimed at budget holders with the objective of facilitating and embedding compliance with Financial Regulations/Contract Standing Orders and improving financial management. Regular scrutiny of financial reporting by CMT and elected members remains in place. Progress is also being made with the procurement of a new financial ledger system.

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Management Commentary

Key Financial Ratios

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

| Financial Indicator | Commentary | 2014/15 |
|--|---|---------|
| Reserves | | |
| Uncommitted General Fund Reserve proportion of Net Expenditure | Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Policy is 3% of net expenditure which is considered appropriate in the context of the Council's financial and ongoing risk profile. | 5.75% |
| Movement in the Uncommitted General Fund Balance | Reflects the extent to which the Council is using its Uncommitted General Fund Reserve. | -1.1% |
| Council Tax | | |
| In-year collection rate | Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to aim to increase its collection rate despite the current economic climate and its effect on the local economy. | 94.37% |
| Ratio of Council Tax Income to Overall Level of Funding | Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control. Clackamannanshire Council, in common with all Scottish Local Authorities, has frozen Council Tax bills at 2007/08 levels. | 15.31% |

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Management Commentary

Key Financial Ratios (continued)

| Financial Management | | |
|--|---|-----------|
| Actual Outturn compared to Budgeted Expenditure | How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year | 97.59% |
| Actual contribution to/from Unallocated General Fund Balance compared to Budget. | | 98.09% |
| Debt/Long-term Borrowing | | |
| Capital Financing Requirement (CFR) for the current year | External debt levels are greater than the CFR due to additional grant funding of £4m received late in the year. The level of borrowing is estimated to be less than CFR in future years. | £161.239m |
| External Debt Levels for the current year | | £163.663m |
| Ratio of financing costs to net revenue stream | These two ratios complement the assurances of borrowing only being for capital purposes with an indication of the Council's ability to service the borrowing costs. | 8.26% |
| Impact of Capital Investment on Council Tax | | Nil |

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. 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 requires the Council to demonstrate the implementation of these principles annually through the approval of a Treasury Management Strategy supported by a range of prudential indicators.

**CLACKMANNANSHIRE COUNCIL
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Management Commentary

Capital Expenditure (continued)

Capital spending in 2014/15 on General Fund Services (including operational Common Good properties) was £10.883m and on Housing was £8.849m. This represents 70% of the planned spending level.

| Expenditure | £000 | Financed By | £000 |
|---------------------------------|---------------|-----------------------------------|---------------|
| Property Asset Management plan | 5,319 | Government Grants & Contributions | 12,940 |
| Roads Asset Management plan | 3,208 | Capital Receipts | 420 |
| Land Asset Management plan | 277 | Capital Finance from Revenue | 6,369 |
| Fleet Asset Management plan | 1,076 | Internal Borrowing | 3 |
| IT Asset Management plan | 949 | | |
| Corporate Asset Management Plan | 54 | | |
| Housing Business plan | 8,849 | | |
| Total | 19,732 | | 19,732 |

During 2014/15 the Council invested £19.732m of capital expenditure on its assets. This reflects an underspend of £13.845m on the budgeted programme, and an increase on the underspend of £0.930m projected in January and reported to Resources and Audit Committee in April 2015. Capital expenditure in the year has been financed by capital receipts (£0.420m), government grants and contributions (£12.940m) and direct revenue funding (£6.369m) leaving a balance of (£0.003m) required to be financed from borrowing. This balance was funded through cash reserves therefore there was no need to incur further external borrowing. Principal repayments towards external borrowing of £6.919m were made in the year.

During 2014/15, the Council undertook its quinquennial revaluation of assets. This exercise was undertaken by the District Valuer. The revaluation has resulted in a net surplus of £43.733m which is reflected in increased asset values within the Balance Sheet.

CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2014/15

Management Commentary

Housing Revenue Account

The Housing Revenue Account which funds the provision of council housing incurred a surplus in the year on the management accounts of £4.745m against a budgeted surplus of £4.075m. From this surplus a revenue contribution to capital of £5.889m was made along with a planned use of reserves in accordance with the Housing Business plan to achieve the Scottish Housing Quality Standard and enhanced Clackmannanshire Standard.

This has resulted in a deficit in the year of £1.144m as shown in the movement in reserves statement. Working balances available to the Housing Revenue Account have therefore reduced to £1.949m as at 31 March 2015. This balance will continue to be earmarked to support the delivery of the Housing Business Plan in line with our approved strategy.

Debt

The Council's gross external debt as at March 2015 which supports our investment and development of long-term assets totals £163.663m, consisting of:

| | |
|------------------------------|-----------|
| External borrowing | £118.658m |
| PFI and other finance leases | £45.005m |

This is an increase of £1.694m on the previous year external debt position of £161.969m. The Council invested in a Social Housing Project with a third party and took new external borrowing of £2.976m to fund this investment. This loan is fully funded through repayments from the third party and underwritten by the Scottish Government. There was no additional borrowing undertaken in the year to fund the Capital programme. Repayments were also made to PFI of £1.2m. The Council continues to work towards reducing overall external debt in line with the Treasury Management Strategy. External interest paid in the year was £9.143m.

Receipts held in the capital receipts reserve at the end of the year total £2.946m. The sum is available either to be applied to reduce future borrowing requirements or to finance loan principal repayments. An amount of £0.160m was held in the capital grants and contributions unapplied account at the year end which has been ring-fenced for future economic development.

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Management Commentary

Investment Reclassification

During the latter part of 2014/15, the Board of Central Scotland Business Parks (CSBP) Developments Limited agreed to wind up the company during 2015/16. The main impacts on the Council's financial statements will be seen in 2015/16 once the Company is wound up. However, following receipt of the wind up intimation, the Council's long-term investment has been transferred, at carrying value, to a short-term investment within the draft financial statements.

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 2015 is £44.568m and this sum is included within the Council's overall borrowing position referred to above.

The unitary charge paid to the operator in 2014/15 was £7.361m (2013/14: £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 38 on page 156.

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 2015/16 to review the options available for the longer term financing of the Council's PFI project.

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Management Commentary

Net Pension Liability

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at 31 March 2015 disclosed a deficit of £135.470m (2013/14: £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 2014 and contributions to the fund continue in line with current actuarial advice which is consistent with our planned annual stepped increases.

The pension deficit records a deterioration of £45.631m on the position recorded at 31 March 2014 as a result of the latest valuation of the fund during 2013/14 due to the financial assumptions being less favourable than the previous year.

Significant Trading Operation

The Council no longer has any services operating in a commercial environment with its last trading operation, Property Contracts, reverting to charging on a cost only basis from 1 April 2014. The Council is required to disclose the performance of its trading operations for a rolling three year period and prior year's figures for the Council's Property Contracts trading operation are disclosed in Note 30 on page 147.

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 2014/15 five provisions are included in the financial statements in respect of equal pay, voluntary severance, contractual damages claim, insurance liabilities and outstanding legal costs.

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Equal Pay

The Council had a sum set aside of £301k (2013/14:£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 £120k 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 £181k and a provision for this sum has been carried forward.

Voluntary Severance

During 2014/15, the Council continued to reduce costs by granting staff voluntary severance on grounds of efficiency where appropriate. At March 2015 there were 37 voluntary severance approved, but not yet implemented. The financial statements include a provision of £787k (2013/14: £60k) for the committed costs associated with these severances.

Damages Claim

The provision of £178k set aside in 2013/14 for the Council's potential liability in respect of an ongoing action relating to an earlier contract awarded for replacement of kitchens and bathrooms was fully utilised during the year. A further provision of £61k has been included in this year's accounts to meet the cost of the final phase of the claim.

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 with no further payments being made in 2014/15. The balance of the provision (£74k) has been carried forward to meet future claims.

Legal Costs

The Council is involved in ongoing legal action which has resulted in external legal costs. A provision of £78k has been included to cover the estimated costs of known scheduled activities.

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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 2014/15, the note (note 43, page 166) discloses five contingent liabilities in respect of Equal Pay, Insurance, Damages Claim, PPP and the ongoing provision of GIS services. The Council has no material contingent assets at the Balance Sheet date.

Business Environment and Risks

During 2014/15, there remained an ongoing weakness in the economic recovery across Europe, though the immediate concerns about European banking systems and sovereign debt have continued to recede.

Whilst the UK economy has now started to show signs of growth, the Office for Budgetary Responsibility (OBR) forecast indicates a similar profile on austerity measures to that outlined previously: significant reductions of around 5% (real terms) in public sector expenditure in 2016/17 and 2017/18. However, the position for 2019/20 has changed: previously, these reductions were forecast to continue in 2019/20, whereas the position has now been revised to suggest a 4% real terms increase in public sector expenditure during this period. The incidence of these measures remains unchanged, predominantly impacting day to day revenue expenditure rather than capital.

The Government grant settlement for the next financial year (2015/16) remains in line with the financial planning assumptions the Council has made, though the Council is currently awaiting details of the impact of recently announced UK Government additional reductions in funding to Scotland of £107m in 2015/16. In its most recently published Overview Report of Local Government, the Accounts Commission highlights that the majority of Scottish councils have not yet developed long term financial plans. In Clackmannanshire, the Council sought to create medium to longer term financial planning over a number of budget rounds and MCB was established to provide the strategic framework for delivering the longer term planning context. In February 2015, a number of areas of review were approved which aim to assist in establishing a longer term approach and to minimise an incremental approach. A key area of uncertainty for the Council remains the future levels of grant funding it will receive given the continuation of annual settlement notifications.

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Business Environment and Risks (continued)

Following the UK Budget announcement on the 18th March 2015, inflation as measured by the Consumer Price Index (CPI) is forecast to bottom out at 0.2% in 2015 and then gradually increase back to its 2% target by 2019. Correspondingly, interest rates are expected to rise from 0.6% in 2015 to 1.9% in 2019/20.

Given this operating context, 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, given the indications that both RPI and CPI will now start to increase, 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 2015/16 and beyond, following pay restraint in recent years, amidst increasingly frequent reports of above inflation pay rises in the private sector.

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 is also in the process of implementing the structural reforms to integrate elements of health and social care. In addition, other external factors are likely to influence the availability of funding for the public sector including elections in each of the next two years and the introduction of a Single Tier Pension Scheme in 2016 affecting employers' national insurance contributions.

The Council is provided with regular update reports on an ongoing basis to reflect changes in outlooks and assumptions both external and internal. The ongoing Budget Strategy continues to focus on the medium to long term to sustain the Council's focus on delivering services within a sustainable cost base. The Annual Governance Statement details the Council's corporate governance arrangements and arrangements for the management of risk. This statement explains the system of internal control and highlights the key areas for improvement actions arising from the Council's ongoing review of these arrangements.

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Plans for the Future

The Council has been actively preparing for the Scottish Government's policy reform programme in the area of Health and Social Care reform. A formal integration of health and care services between Clackmannanshire and Stirling Council and NHS Forth Valley will occur, which will have financial and governance implications for both local government and the NHS in Scotland. Budgets for integrated services will be integrated to form a pool of resource which will have the flexibility to be redirected within the Partnership to address service pressures. The Council continues to work closely with the Scottish Government, professional associations and local NHS partners to ensure the new Partnership is well placed to deliver integrated services.

The combination of anticipated cost pressures, coupled with reduced government grant income in the context of a significant ongoing public sector reform, presents significant challenges and financial risks to the Council over the medium term. The Council estimates that between 2016 and 2019 further budget reductions of £23.4m will be required. The Community Plan and MCB Programme provide a helpful focus in terms of the policy priorities for the Council whilst recognising the financial pressures existing and forecast.

It is recognised that the scale of the financial challenge will require a fundamental review of aspects of Council service delivery for the Council to maintain its financial stability moving forward. The Council continues to develop its longer term financial planning arrangements, which will support the identification of key longer term financial risks and appropriate longer term mitigation strategies. The ongoing funding pressures highlight the need for the Council to maintain stringent financial control and to continue to drive out efficiencies through the Council's budget process and on an operational basis the need for a strong focus on financial stewardship and management through the operation of effective financial controls.

Where to Find More Information

An explanation of the financial statements which follow and their purpose is shown at the top of each page.

Further information about Clackmannanshire Council can be obtained from the Council's website (www.clacks.gov.uk) or from Finance Services, Kilncraigs, Greenside Street, Alloa, FK10 1EB.

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Conclusion and Acknowledgements

The continuation of prudent financial management and medium term financial planning have allowed the Council to successfully manage its financial affairs within budget and the financial objectives prescribed, whilst at the same time progressing major strategic initiatives such as the new Redwell School, the Road Assets Management Plan, the formation of the Health and Social Care Partnership.

We would like to take this opportunity to acknowledge the significant effort in producing the Annual Accounts and the Annual Governance Statement and to record our thanks to our colleagues for their continued hard work and support. We greatly appreciate the significant efforts of all who were involved, 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 2014/15 financial statements.

Councillor Les Sharp
Leader of Clackmannanshire Council
24 September 2015

Elaine McPherson
Chief Executive
24 September 2015

Nikki Bridle
Depute Chief Executive
24 September 2015

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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 safeguards 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 2015.

Nikki Bridle
Depute Chief Executive
24 September 2015

Councillor Les Sharp
Leader of Clackmannanshire Council
24 September 2015

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Introduction

Good governance is critical to the success of the Council in achieving its strategic aims and objectives and so it is vitally important to demonstrate to the people of Clackmannanshire that the Council is:

- listening to them about 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 the Council does its business;
- working as effectively and as cost efficiently as it can against a backdrop of reducing budgets;
- seeking to continuously improve; and
- managing effective and robust systems and processes to demonstrate these points.

The purpose of this Governance Statement is to provide assurance to the people of Clackmannanshire, Elected Members, staff, partner agencies and other stakeholders that the Council has robust governance arrangements in place to ensure that services are delivered in an open, honest and accountable way.

Scope of Responsibility

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 an emphasis on 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 of the services it delivers.

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Scope of Responsibility (continued)

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

This Statement explains how the 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 2014/15.

The Purpose of the Governance Framework

The 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.

As risk can never be eliminated completely, effective risk management is a key element of good governance and as such is a significant part of the Council's governance framework. The Council manages risk through a process of identification, prioritisation, evaluation and mitigation of the risks to its strategic aims and objectives. Risks are identified and evaluated by their likelihood to happen and their impact should they occur. Impact is assessed in financial terms and in non financial terms such as reputational, social and political impact. The Council aims to manage these risks proportionately and effectively.

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The Council's Governance Framework

The Council's Governance Strategy together with its Local Code of Governance covers the period 2011/14 and will be revised and re-submitted for Council approval during 2015. The Governance Strategy provides the blueprint to develop 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 is based on the following 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.

The 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 organisation at every level. The Code reflects 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 the effectiveness of its governance arrangements the Council evaluates how effective it is in respect of the following actions:

- communicating the Council's vision in terms of purpose, direction and outcomes for service users and the wider community;
- engaging effectively with community, partners and other stakeholders;
- partnership working between Elected Members and Officers that ensures 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 appropriate standards of behaviour demanded of public servants are upheld;

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The Council's Governance Framework (continued)

- having the right systems, processes and tools in place to make decisions that achieve objectives;
- ensuring that Elected Members and staff have the skills, knowledge, experience and resources to perform well in their roles;
- making sure that Elected Members and staff are properly accountable;
- ensuring compliance with relevant laws, regulations, internal policies and procedures;
- managing business change and transformation; and
- maintaining sound financial stewardship.

Assurance Process

The assurance process requires Heads of Service to provide assurance as to the effectiveness of the governance arrangements within their scope of responsibility to the Depute Chief Executive as Section 95 Officer who in turn has to provide assurance to the Leader of the Council and Chief Executive to enable them to provide a Governance Statement to the Council. Heads of Service will seek assurances in turn from their Team Leaders and Service Managers and on a regular basis will discuss governance issues with the Executive Team.

The Council has in place a Governance Panel that provides professional and technical support and guidance to Heads of Service and their senior management teams and plays a quality assurance role by annually reviewing the evidence of assurance provided by them. This process continues to evolve and is now more risk focussed in order to provide assurance about key priorities. The Panel is overseen by the Head of Resources and Governance and comprises senior and suitably qualified officers to provide advice and scrutiny in the following areas:

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

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Assurance Process (continued)

The panel also includes an element of peer review from a service and financial management perspective.

A key part of the assurance process is that each Service Management Team maintains a comprehensive body of evidence to provide assurance that their risks and service delivery are being managed appropriately. Within the assurance reviews, Service Management Teams are invited to use their evidence to demonstrate that they have systems and processes in place and that they effectively achieve service and strategic outcomes. Where areas of weakness are identified the risks are evaluated and appropriate actions to address these risks are incorporated into the Service Business Plan or the Corporate Governance Improvement Plan which supports the preparation of this Governance Statement. All of these actions are reported in the regular performance information provided to Service Committees.

Review of Effectiveness

The Council's Single Outcome Agreement (SOA) 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 5 year period 2012/17. 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.

The Council's 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.

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Review of Effectiveness (continued)

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

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

The Council has the following key strategies in place to support the delivery of its 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 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 embedded. These arrangements will be further refined during 2015/16.

The Council maintains its own Internal Audit and Fraud function which undertook 17 Audits during 2014/15. The reports are presented to the Resources and Audit Committee and the relevant Service Committee. It was noted during the year that the follow up of actions need to be better monitored and work has been undertaken to ensure that follow up actions are implemented. Of the 9 reports fully completed Internal Audit provided significant assurance for 3 reviews reasonable assurance for 5. Limited assurance was provided for Information Governance- Document Management and appropriate action has been identified by management to deal with issues. For the 8 draft reports issued there were no matters arising that would affect the overall assurance opinion provided. Overall, the Internal Audit Annual Report provides reasonable assurance as regards the effectiveness of the Council's framework of governance, risk management and control in the year ended 31 March 2015.

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Review of Effectiveness (continued)

A report on Procurement activity in the Council was provided to the R&A Committee in February 2015. The Council's *Procurement Journey* process is now embedded. The establishment of the Procurement Matters Group comprising officers across all services is leading to 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 2014/15 (rising from 37% to 45%). However whilst this demonstrates improvement, Clackmannanshire is one of 4 councils that has yet to achieve the "improved performance" benchmark of 50% in its Procurement Capability Assessment (PCA) score.

During 2015/16 the current PCA will be discontinued and a new process of external audit and assurance will be introduced ("AR15") which will be a more robust assessment of Public Sector Procurement and will not be comparable to the PCA so 2015/16 will be a baseline year.

The three new EU Directives, Public Procurement, Concessions (on partnerships between the public sector and mostly private companies) and Utilities (on water, energy, transport and postal services), must be implemented through new Scottish Regulations. Some of the changes are mandatory and the Scottish Government will be obliged to implement all of them by 18 April 2016. The Council is anticipating guidance being issued by the Scottish Government at the latest by Quarter 3 of 2015/16 and will amend its own practices and its Contract Standing Orders as required.

The Council has initiated a project to procure and implement a new finance system by April 2016. The previous system is now unable to keep up with the Council's requirements to produce timely and accurate information without significant manual intervention. A new system will provide the opportunity to re-focus the priorities of the Accountancy Team to provide more agile support to services and improve the governance of budgeting, forecasting and investment appraisal. The new system will also support improved procurement performance particularly in the areas of supplier management, electronic payment and improved management information.

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Significant Governance Issues

The Council's transformational change programme Making Clackmannanshire Better (MCB) has been reviewed and revised to better define the key work streams and accountabilities. Work to define the project and programme scopes will be progressed during 2015/16 to enable better prioritisation of resources and alignment with Council priorities. Financial resilience remains the key risk and the MCB programme is integral to the sustainability of the organisation. 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. As an example of improved communication, the Depute Chief Executive has introduced a Finance Newsletter to improve corporate awareness of the financial climate and personal responsibilities.

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 engaged Ernst Young to provide an expert analysis of the business case for shared services which will report in 2015/16. The findings of the business case are likely to provide the Council with options to review current governance arrangements and ensure that 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.

Arrangements for the integration of Health and Adult Social Care Services with Stirling Council and Forth Valley NHS Board are being taken forward and a joint plan was agreed and submitted to Scottish Ministers for approval. 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. The Council's internal audit plan for 2015/16 includes a planned review of the governance arrangements surrounding integration which will include financial assurance. The Resources and Audit Committee provide oversight for the review. Elements of this review will be carried out in conjunction with both NHS Forth Valley and Stirling Council Internal Audit and the results of which will be shared with the Transitional Board. This element of the review will consider the financial due diligence arrangements undertaken by the Chief Officer prior to implementation.

Improvements to the financial governance arrangements in Social Services have been identified as a priority and a zero based budgeting exercise has been undertaken to analyse resource requirements. Work is now ongoing to improve the use of supporting management and demographic information to enhance financial reporting and facilitate understanding and scrutiny for elected members. An action plan has been put in place to strengthen governance arrangements and ensure that resources are being effectively managed. Work is ongoing to ensure that budget holders are aware of their responsibilities as defined in the Council's Financial Regulations. The Service is in the process of appointing a Business Manager to ensure a sustained focus on governance and compliance.

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Significant Governance Issues (continued)

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 continued strengthening of the scrutiny arrangements the Council has in place in respect of our partnership and joint working through the work of the Resources and Audit Sub committee which engages with Police Scotland, Scottish Fire and Rescue Services and NHS Forth Valley. New governance arrangements to ensure the Alliance operates as a genuine board have been the subject of consultation. These proposals, which should be implemented later in 2015, will see a clear separation of executive and non-executive roles, and a greater number of elected members sitting on the board of the Alliance. In addition, a number of joint resourcing initiatives and community empowerment approaches continue to be progressed with partners through the Alliance, including further development of participatory budgeting approaches in discussion with the Joint Community Council Forum.

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 Council's approach to records management and information sharing has been highlighted as a key issue in the assurance process. The Head of Resources and Governance will lead the work in 2015/16 to develop a Records Management Plan and evaluate the effectiveness of the Council's policy, training and technology solutions.

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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 reasonable assurance for the year 2014/15 and an Internal Audit plan is in place for 2015/16 that will focus on areas which have been identified as corporate or service specific risks.

Each Head of Service and Executive Team member 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 areas of responsibility 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.

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Annual Governance Statement

Statement (continued)

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

- Systematic deployment of shared vision and values, ensuring a common understanding and a consistent application of Council vision and values;
- Workforce planning and organisational development to ensure that our resources are aligned with our corporate priorities and corporate change agenda;
- Succession planning and learning to mitigate against loss of knowledge, skills and experience through managed contraction of staff numbers;
- Resource and capacity within corporate support services (e.g. Legal, Procurement, HR, Finance, IT, etc) to support Services in implementing corporate change agenda;
- Information management including data protection, records management and FOI arrangements;
- Procurement arrangements with particular regard to the reporting of savings, the continued embedding of professional procurement practice across the Council and automation of key procurement processes such as purchase to pay;
- Consistent compliance with key corporate governance policies including Finance Regulations, the Scheme of Delegation and Contract Standing Orders to evidence sound and robust financial management;
- Major Project Management arrangements including Capital Project appraisal; and
- Risk management arrangements.

Elaine McPherson
Chief Executive
24 September 2015

Councillor Les Sharp
Leader of Clackmannanshire Council
24 September 2015

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Remuneration Report

General

All information disclosed in the tables in this Remuneration Report is 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 2014/15 reflect the following contextual factors:

- During 2014/15 there were several changes including new appointments made to senior administration positions of the Council. New appointments were made to Depute Leader and Depute Provost 2 (15 May 2014), Leader of the Council (3 November 2014) and Depute Provost 2 (18 December 2014);
- Establishment of a new Senior Councillor post with special responsibility for Partnership, Equality and Diversity was approved and appointment made at Council meeting 15 May 2014;
- As at 31 March 2015 there were 7 Senior Councillors in post. This is 1 less than the maximum 8 allowed for Clackmannanshire Council;
- The committee structure remained unchanged during 2014/15;
- Revised chief officer structure, approved February 2014, came into effect for 2014/15. Appointments to revised structure posts were made during 2014/15;
- Pay increase of 1% effective from 1 April 2014 was awarded to Councillors and senior employees; and
- On a voluntary basis, Chief Officers, agreed to a reduction in remuneration from 1 July 2014. This reduction is equivalent to the reduction applied to single status council employees for the change in working week hours from 36 to 35. Any agreed reductions are included in the remuneration figures detailed in tables 1, 2 and 3. Individual elected members also took this step on a voluntary basis.

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Remuneration Report

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. Inevitably there may be changes to the posts held by Senior Councillors during the year. Where a Councillor is no longer a Senior Councillor, their remuneration reverts to Councillor rate.

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 2014/15 was £27,602 (2013/14: £27,329). The actual salary paid to the holders of the Leaders post during 2014/5 was £26,997 (2013/14: £27,329). 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 2014/15 amounts to £20,702 (2013/14: £20,497). The actual salary paid to the holder of the Civic Head post during 2014/15 was £20,272 (2013/14: £20,497). These remunerations are inconsistent with 2013/14 due to the 1% pay award effective 1 April 2014 and the remuneration reduction for the change to the working week hours effective 1 July 2014.

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 £149,048 for 2014/15 (2013/14: £147,576). The total annual amount payable by the Council for remuneration to all its Senior Councillors shall not exceed £149,048.

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Councillors (continued)

The remuneration paid to Senior Councillors 2014/15 covering the year 1st April 2014 to 31st March 2015 totalled £143,196 (2013/14: £149,601). This includes £1,000 (2013/14: £1,000) paid to Councillor Sharp for serving on the Association for Public Service Excellence (APSE) and £2,859 paid to Councillor Holden for serving as Vice Convenor on the Valuation Joint Board (2013/14: £1,025). These amounts are recoverable from both organisations. The net cost to Clackmannanshire Council in relation to Senior Councillors is £139,337 (2013/14: £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 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 2014/15.

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

The Valuation Joint Board was the only joint board existing during 2014/15 as was the case 2013/14.

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 £2,859 in 2014/15 (2013/14: £1,025).

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.

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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. The Appointments Committee consisting of Councillors from all parties appointed Depute Chief Executive, Executive Director and Heads of Service following Council approval in February 2014 of the reconfiguration of Chief Officer Structure. Under the Scheme of Delegation the Chief Executive set the salary for Depute Chief Executive, Executive Director and Heads of Service from the National Scales in agreement with the Appointments Committee. In reaching its decisions, the Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.

Senior employees do not receive any other benefits.

Disclosure of Remuneration for Relevant Persons

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

Table 1

Remuneration of Senior Councillors and Convenors and Vice Convenors of Joint Boards

| Position | Post Holder | Total Remuneration 2014/15 £ | Total Remuneration 2013/14 £ |
|---|--------------------|---|---|
| Leader of the Council (until 2 November 2014) | Gary Womersley | 15,991 | 27,329 |
| Leader of the Council (from 3 November 2014, see also Senior Councillor position below) | Leslie Sharp | 11,417 | - |
| Provost and Vice Convenor Housing, Health & Care | Tina Murphy | 20,272 | 20,497 |
| Sub Total Leader and Provost | | 47,680 | 47,826 |

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Remuneration of Senior Councillors and Convenors and Vice Convenors of Joint Boards (continued)

| Position | Post Holder | Total Remuneration 2014/15 £ | Total Remuneration 2013/14 £ |
|--|--------------------|-------------------------------------|-------------------------------------|
| Convenor Housing, Health and Care (from 1 June 2012) Depute Provost 2 (from 15 May 2014 until 17 December 2014) & Vice Convenor Licensing Board (from 14 June 2012) | Leslie Sharp | 11,381 | 19,447 |
| Portfolio Holder – Vice Convenor Enterprise & Environment (from 1 June 2012) then Depute Provost 1 (from 17 May 2012) | Irene Hamilton | 18,244 | 18,447 |
| Portfolio Holder – Convenor Enterprise & Environment (from 1 June 2012) Depute Provost 2 (from 17 May 2012 until 14 May 2014) then Depute Leader of the Council (from 15 May 2014) | Donald Balsillie | 18,244 | 18,447 |
| Convenor of Planning (formerly) Regulatory Committee (from 17 May 2012) | Alastair Campbell | 18,244 | 18,447 |
| Convenor of Regulatory (from 17 May 2012) Convenor of Licensing Board (from 14 June 2012). Vice Convenor Workforce (from 17 May 2012) Vice Convenor Education, Sport and Leisure (from 1 June 2012) | Walter McAdam | 18,631 | 18,447 |
| Portfolio Holder – Convenor Workforce (from 17 May 2012) Depute Leader (from 17 May 2012 until 14 May 2014) Vice Convenor Valuation Joint Board (from 7 September 2012) & Depute Provost 2 (from 18 December 2014) | Craig Holden | 2,324 | 18,447 |
| Convenor Resources and Audit (from 17 May 2012) | Archibald Drummond | 18,631 | 18,447 |
| Convenor Education, Sport and Leisure (from 1 June 2012) | Ellen Forson | 18,244 | 18,447 |
| Portfolio Holder for Partnership Equality and Diversity (from 15 May 2014) | Kenny Earle | 16,394 | - |
| Sub Total Senior Councillors | | 140,337 | 148,576 |
| Valuation Joint Board, Vice Convenor (from 7 September 2012) | Craig Holden | 2,859 | 1,025 |

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Notes to Table 1

Remuneration Report

1. There were no Taxable Expenses or Benefits other than in cash paid to any of the Senior Councillors in 2014/15 or 2013/14.
2. During 2014/15 there was no change to the administration of the Council. There were several mid-year appointments to senior positions being Depute Leader and Depute Provost 2 (15 May 2014). Leader of the Council (3 November 2014) and Depute Provost 2 (18 December 2014) and Partnership Portfolios.
3. Councillor Womersley resigned as Leader of the Council effective 3 November 2014 and now occupies a basic Councillor position. Councillor Womersley's remuneration, as leader, is detailed in Table 1 and covers the period 1 April 2014 to 2 November 2014.
4. Councillor Sharp was appointed as Leader from 3 November 2014. His remuneration is split in Table 1 to reflect the period 1 April 2014 to 2 November 2014 when he was a Senior Councillor and the period 3 November 2014 to 31 March 2015 as Leader.
5. On a voluntary basis a reduction of 2.77% has been applied to Councillors remuneration effective 1 July 2014. Any reductions agreed have been accounted for in the 2014/15 figures.
6. Payments to Senior Councillors are inclusive of additional payments made by the Council in respect of Members serving on Joint Boards. For 2014/15 the amount recharged to the Valuation Joint Board for additional payments was £2,859 (2013/14: £1,025). This amount is recovered from the Joint Board.
7. Councillor Sharp's remuneration includes £1,000 (2013/14: £1,000) for serving on the Association of Public Service Excellence (APSE). This amount is recovered from the organisation.
8. Councillor Womersley received remuneration from NHS Forth Valley totalling £4,739 for serving on the regional Health Board until 2 November 2014. This payment then transferred to Councillor Sharp amounting to £3,269 for 2014/15 (2013/14: Councillor Womersley £8,008). As this is paid directly by the NHS the sums are not included above but are disclosed in the published 2014/15 Elected Members' Remuneration, Allowances and Expenses document. This can be viewed on the Council website under 'Remuneration to Elected Members'.

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Remuneration paid to Councillors

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

| | |
|--------------------------|-----------|
| Leader of the Council | 1 |
| Provost/Civic Head | 1 |
| Senior Councillors | 8 |
| Councillors | 8 |
| | — |
| Total Councillors | 18 |

As at 31 March 2015 there is one vacant allowance for a Senior Councillor position as the Leader is also Convenor for Housing, Health and Care for which no additional remuneration is paid.

Councillors are no longer paid allowances; where a Councillor is entitled to a special responsibility payment, for example, 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 | 2014/15 | 2013/14 |
|-----------------------------|----------------|----------------|
| | £ | £ |
| Salaries | 327,776 | 328,595 |
| Employer's NIC and Pension | 67,894 | 73,099 |
| Expenses | 7,784 | 9,078 |
| | — | — |
| Total | 403,454 | 410,772 |
| | — | — |

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Remuneration Report

Notes to Table 2

Type of Remuneration

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 excluded £4,739 paid directly to Councillor Womersley and £3,269 paid directly to Councillor Sharp in respect of serving on NHS Forth Valley Health Board (2013/14: £8,008 to Councillor Womersley, nil to Councillor Sharp).
3. Basic Councillor rate is £16,560pa. This equates to £16,101 after application of 2.77% voluntary reduction.

The annual return of Councillors' salaries and expenses for 2014/15 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's web site www.clacksweb.org.uk under 'Remuneration to Elected members'.

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Remuneration Report

Table 3 - Remuneration of Senior Employees of the Council

| Name and Post Title | Total Remuneration 2014/15 £ | Total Remuneration 2013/14 £ |
|---|---------------------------------------|---------------------------------------|
| Elaine McPherson – Chief Executive | 96,990 | 98,067 |
| Elaine McPherson – Returning Officer (European Election May 2014 and Scottish Independence Referendum 18 September 2014) | 4,000 | - |
| Nikki Bridle – Director of Finance and Corporate Services (until 3 June 2014) then Depute Chief Executive (from 4 June 2014) | 86,759 | 84,885 |
| Nikki Bridle – Depute Returning Officer (European Election May 2014 and Scottish Independence Referendum 18 September 2014) | 1,000 | - |
| Garry Dallas – Director (until 4 June 2014) then Executive Director (from 5 June 2014) | 83,953 | 84,885 |
| Stuart Crickmar – Head of Strategy & Customer Services | 68,510 | 69,270 |
| Deirdre Cilliers – Head of Social Services, Clackmannanshire and Stirling Councils (until 30 June 2013) | - | 20,472 |
| 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) | 78,815 | 79,689 |
| Stephen Crawford – Head of Facilities Management (until 31 January 2014) | - | 57,725 |
| John Gillespie – Head of Community & Regulatory Services (until 3 October 2013) | - | 53,005 |
| Belinda Greer – Head of Education, Clackmannanshire and Stirling Councils (until 2 September 2013) | - | 43,002 |
| David Leng – Head of Education, Clackmannanshire and Stirling Councils (from 30 September 2013) | 91,318 | 41,983 |
| Ahsan Khan – Head of Housing and Community Safety (from 8 July 2013) | 68,671 | 50,649 |
| Gordon McNeil – Head of Development and Environmental Services (from 3 June 2014) | 42,241 | - |
| Stephen Coulter – Head of Resources and Governance (from 24 September 2014) | 30,538 | - |
| Total | 652,795 | 683,632 |

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Notes to Table 3

Notes to Remuneration of Senior Employees of the Council

1. The senior employees 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 1 April 2014 is included in the 2014/15 figures.
3. The Chief Executive remuneration of £96,990 is in line with the £99,048 as agreed for the second year of the two year national agreement between Scottish Joint Negotiating Committee (SJNC) and Association of Local Authority Chief Executives (ALACE).
4. On a voluntary basis, all Chief Officers and Senior Employees agreed to a reduction in remuneration from 1 July 2014. This reduction is equivalent to the reduction applied to single status employees for the change in working week hours from 36 to 35. Any agreed reductions are included in the remuneration figures detailed in table 3. One Chief Officer was promoted during 2014/15 (Depute Chief Executive), and new salary is shown after 2.77% voluntary reduction.
5. Payments to the Chief Executive and Depute Chief Executive for acting as Returning Officer and Depute Returning Officer during the European Election (25 May 2014) and the Scottish Independence Referendum (18 September 2014) were £4,000 and £1,000 respectively.
6. With effect from 1 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 2014/15.
7. Val De Souza was appointed as Head of Social Services for Clackmannanshire and Stirling Councils from 4 November 2013 following the retirement of Deirdre Cilliers on 30 June 2013. Clackmannanshire Council's share of the total remuneration figures for Val De Souza arising from her joint management responsibilities is £39,408 for 2014/15 (£38,344 for 2013/14 for Val De Souza and £10,236 for 2013/14 for Deirdre Cilliers).
8. David Leng was appointed as Head of Education for Clackmannanshire and Stirling Councils from 30 September 2013. Clackmannanshire Council's share of the total remuneration figures for David Leng arising from his joint management responsibilities is £45,659 2014/15 (£21,016 D Leng and £21,501 B Greer 2013/14).
9. Due to new appointments to vacant posts part year remunerations in 2014/15 are detailed to Gordon McNeil and Stephen Coulter. Full time equivalent 2014/15 for both positions is £68,025 (2013/14: £69,270).
10. Total remuneration is for salaries, fees and allowances.

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Remuneration Report

Table 4

General Disclosure by Pay Band

| Remuneration Band | Number of Employees | |
|-------------------|---------------------|---------|
| | 2014/15 | 2013/14 |
| £50,000 - £54,999 | 22 | 26 |
| £55,000 - £59,999 | 18 | 15 |
| £60,000 - £64,999 | 3 | - |
| £65,000 - £69,999 | 3 | 2 |
| £70,000 - £74,999 | 2 | 2 |
| £75,000 - £79,999 | 1 | 1 |
| £80,000 - £84,999 | 1 | 2 |
| £85,000 - £89,999 | 1 | - |
| £90,000 - £94,999 | - | - |
| £95,000 - £99,999 | 1 | 1 |
| | 52 | 49 |
| | — | — |

Notes to table 4

1. Annual increments and the 1% pay award has increased the number of employees falling into bands £55,000 - £59,999 and £60,000 - £64,999.
2. Reconfiguration of Chief Officer Structure – new post of Depute Chief Executive (part year) falling into band £85,000 - £89,999.
3. Reduction in working hours week.

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Remuneration Report

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.

For 2014/15 the scheme's normal retirement age for both Councillors and employees was 65. From 1 April 2015 the LGPS is changing and from this date, along with other changes, the normal retirement age will be the same as an individual's state pension age with a minimum age of 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 contribution rates were set at 6% for all non manual employees. The contribution rates and earning bandings for 2014/15 remain unchanged from those in 2013/14.

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Remuneration Report

Table 5

| Whole time pay 2014/15 (2013/14) | Contribution rate 2014/15* | Contribution rate 2013/14* |
|--|---------------------------------------|---------------------------------------|
| 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 (£22,000/£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 earnings above £40,000 (£40,000) | 12% | 12% |

*Source: Scottish Public Pensions Agency, Contributions, "What do I pay?"

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 government service, and not just their current appointment.

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Table 6 - Senior Councillors

The pension entitlements for Senior Councillors who have elected to join the pension scheme for the year ended 31 March 2015 are shown in the table below, together with the contribution made by the Council to each Senior Councillors' pension during the year.

| Name and Post Title | In-Year Pension Contributions | | Accrued pension Benefits | | |
|---|-----------------------------------|-----------------------------------|--------------------------------|--------|---|
| | For year to 31 March 2015 £ | For Year to 31 March 2014 £ | As at 31 March 2015 £000 | | Difference from 31 March 2014 £000 |
| Gary Womersley Leader of the Council (until 2 November 2014) | 4,632 | 5,466 | Pension Lump Sum | 3 2 | 1 - |
| Tina Murphy Provost and Vice Convenor Housing Health and Care | 4,175 | 4,099 | Pension Lump Sum | 3 2 | 1 1 |
| Donald Balsillie Portfolio Holder – Convenor Enterprise & Development (from 1 June 2012) Depute Provost 2 (from 17 May 2012 until 14 May 2014) then Depute Leader of the Council (from 15 May 2014) | 3,740 | 3,689 | Pension Lump Sum | 2 1 | - - |
| Alastair Campbell Convenor of Planning (formerly Regulatory Committee) from 17 May 2012) | 1,264 | 3,689 | Pension Lump Sum | 2 1 | - - |
| Irene Hamilton Portfolio holder – Vice Convenor Enterprise & Environment (from 1 June 2012) Depute Provost 1 (from 17 May 2012) | 3,789 | 3,689 | Pension Lump Sum | 2 1 | - - |

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Senior Councillors (continued)

| Name and Post Title | In-Year Pension Contributions | | Accrued pension Benefits | | |
|--|-----------------------------------|--------------------------------------|--------------------------------|-----------|---|
| | For year to 31 March 2015 £ | For Year to 31 March 2014 £ | As at 31 March 2015 £000 | | Difference from 31 March 2014 £000 |
| Leslie Sharp Leader of the Council (from 3 November 2014) Depute Provost 2 (from 15 May 2014 until 17 December 2014) Convenor Housing Health and Care (from 1 June 2012) & Vice Convenor Licensing Board (from 14 June 2012) | 4,469 | 3,689 | Pension | 5 | 4 |
| Ellen Forson Convenor Education Sports and Leisure (from 1 June 2012) | 3,740 | 3,689 | Pension | 1 | - |
| Kenny Earle Portfolio Holder to Partnership Equality & Diversity (from 15 May 2014) | 3,774 | - | Pension | 2 | 1 |
| Total | 29,583 | 28,010 | | 27 | 8 |

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

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Table 7

Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2015 are shown in the table below, together with the contribution made by the Council to each Senior Employees' pension during the year.

| Name and Post Title | In-Year Pension Contributions | | Accrued Pension Benefits | | |
|--|-----------------------------------|-----------------------------------|--------------------------------|--|---------|
| | For Year to 31 March 2015 £ | For Year to 31 March 2014 £ | As at 31 March 2015 £000 | Difference from 31 March 2014 £000 | |
| Elaine McPherson Chief Executive | 19,883 | 19,613 | Pension Lump Sum | 36 79 | 1 -1 |
| Nikki Bridle Director of Finance & Corporate Services (from 1 July 2010 until 3 June 2014) then Depute Chief Executive (from 4 June 2014) | 17,786 | 16,977 | Pension Lump Sum | 26 53 | 2 1 |
| Garry Dallas Director of Services to Communities (until 4 June 2014) then Executive Director (from 5 June 2014) | 17,210 | 16,977 | Pension Lump Sum | 35 80 | 1 -1 |
| Stuart Crickmar Head of Strategy & Customer Services | 14,044 | 13,854 | Pension Lump Sum | 21 43 | 1 - |
| Deirdre Cilliers Joint Head of Social Services, Clackmannanshire and Stirling Councils (retired 30 June 2013) | - | 3,984 | N/A | | |
| Stephen Crawford Head of Facilities Management (until 31 January 2014) | - | 11,545 | N/A | | |

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Senior Employees (continued)

| Name and Post Title | In-Year Pension Contributions | | Accrued Pension Benefits | | |
|---|-------------------------------|------------------------------|--------------------------|----------------------------------|----------|
| | For Year to 31 March 2015 | For Year to 31 March 2014 | As at 31 March 2015 | Difference from 31 March 2014 | |
| | £ | £ | £000 | £000 | |
| John Gillespie Head of Community & Regulatory Services (until 3 October 2013) | - | 7,039 | N/A | | |
| Belinda Greer Joint Head of Education, Clackmannanshire and Stirling Councils (until 2 September 2013) | - | 8,600 | N/A | | |
| David Leng Joint Head of Education, Clackmannanshire and Stirling Councils (from 30 September 2013) | 18,720 | 8,377 | Pension | 2 | 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) | 16,157 | 14,656 | Pension Lump Sum | 20 37 | 1 -1 |
| Ahsan Khan Head of Housing and Community Safety (from 8 July 2013) | 14,078 | 10,130 | Pension | 2 | 1 |
| Gordon McNeil Head of Development and Environmental Services (from 3 June 2014) | 8,660 | - | Pension | 1 | 1 |
| Stephen Coulter Head of Resources and Governance (from 24 September 2014) | 6,260 | - | Pension | 1 | 1 |
| Total | 132,798 | 131,752 | | 436 | 8 |

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Notes to Table 7

1. All Senior Employees shown in the tables above are members of the of the Local Government Pension Scheme (LGPS)
2. Where employees have joined the Council and transferred previous employment pension benefits into the Falkirk Pension Fund, the pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service and not just their current employment.
3. Where staff are not in employment with Clackmannanshire Council at 31 March 2015 or are no longer a relevant senior employee at this date, there is no increase in accrued pension benefit attributable.
4. Reduction in Accrued Lump Sum for some Senior Employees is due to the fact that pensionable pay at 31 March 2015 is less than previous 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 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 2014/15 and summary information regarding the number and costs of exit packages is shown below.

Disclosed costs include, where applicable; payments in lieu of notice, redundancy and pension costs in relation to lump sum, strain payments and capitalised added years. Any early terminations which might arise on the grounds of health or dismissal fall outside the regulatory disclosure requirement and would not be disclosed. There were no compulsory redundancies in the current or previous year.

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Table 8

| Exit package cost band (including special payments) | Total Number of exit packages by Cost band | | Total Cost of exit packages In each band | |
|--|---|----------------|---|------------------|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| £0 - £20,000 | 22 | 50 | 93,802 | 258,060 |
| £20,001 - £40,000 | - | 8 | - | 231,893 |
| £40,001 - £60,000 | 4 | 6 | 195,111 | 307,579 |
| £60,001 - £80,000 | 1 | 6 | 61,921 | 397,274 |
| £80,001 - £100,000 | - | 3 | - | 268,808 |
| £100,001 - £150,000 | - | 5 | - | 574,189 |
| Total | 27 | 78 | 350,834 | 2,037,803 |

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15**

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 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statements, and the Notes to the Financial Statements, as well as supplementary financial statements, including the Housing Revenue Account, Council Tax Income Account, Non-Domestic Rates Income Account, and Common Good Account, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 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 Depute Chief Executive and Auditor

As explained more fully in the Statement of Responsibilities, the Deputy Chief Executive is responsible 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.

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15**

Independent Auditor's Report

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 circumstances of the authority and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Management Commentary to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect 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.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the local authority as at 31 March 2015 and of the income and expenditure the authority 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 2014/15 Code; and
- Have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15**

Independent Auditor's Report

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 2014; and
- The information given in the Management Commentary for the financial year 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 has not been prepared in accordance 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
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB
United Kingdom
24 September 2015

CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2014/15

Core Financial Statements

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.

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15**

Core Financial Statements

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; and
- 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
ANNUAL ACCOUNTS 2014/15
Movement in Reserves Statement

For the year ended 31st March 2015

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 reserved 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 2013 | 14,004 | 4,884 | 4,985 | 871 | 472 | 25,216 | 65,575 | 90,791 |
| Movement in Reserves during 2013/14 (Restated) | | | | | | | | |
| Surplus or (deficit) on provision of Services | (1,695) | (1,444) | - | - | - | (3,139) | - | (3,139) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | (8,507) | (8,507) |
| Total Comprehensive Income and Expenditure | (1,695) | (1,444) | - | - | - | (3,139) | (8,507) | (11,646) |
| 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 | (2,120) | (1,791) | 283 | - | (472) | (4,100) | (7,546) | (11,646) |
| Transfers to/from Earmarked Reserves (Note 7) | 409 | - | (1,562) | 363 | - | (790) | 790 | - |
| Increase or (decrease) in 2013/14 | (1,711) | (1,791) | (1,279) | 363 | (472) | (4,890) | (6,756) | (11,646) |
| Balance at 31 March 2014 carried forward | 12,293 | 3,093 | 3,706 | 1,234 | - | 20,326 | 58,819 | 79,145 |

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15**

**Movement in Reserves Statement
For the year ended 31st March 2015**

| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Insurance Fund £000 | Grants Unapplied Account £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|---|------------------------------------|---------------------------------------|--|---------------------------|--|---|------------------------------|------------------------------------|
| Balance at 31 March 2014 | 12,293 | 3,093 | 3,706 | 1,234 | - | 20,326 | 58,819 | 79,145 |
| Movement in Reserves during 2014/15 | | | | | | | | |
| Surplus or (deficit) on provision of Services | 1,025 | (5,835) | - | - | - | (4,810) | - | (4,810) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | 5,431 | 5,431 |
| Total Comprehensive Income and Expenditure | 1,025 | (5,835) | - | - | - | (4,810) | 5,431 | 621 |
| Adjustments between accounting basis & funding basis under regulations (Note 6) | (2,737) | 4,691 | 795 | - | 160 | 2,909 | (2,909) | - |
| Net Increase or (Decrease) before Transfers to Earmarked Reserves | (1,712) | (1,144) | 795 | - | 160 | (1,901) | 2,522 | 621 |
| Transfers to/from Earmarked Reserves (Note 7) | 1,028 | - | (1,555) | 59 | - | (468) | 468 | - |
| Increase or (decrease) in 2014/15 | (684) | (1,144) | (760) | 59 | 160 | (2,369) | 2,990 | 621 |
| Balance at 31 March 2015 carried forward | 11,609 | 1,949 | 2,946 | 1,293 | 160 | 17,957 | 61,809 | 79,766 |

The amounts for 2013/14 have been restated to reflect a prior year adjustment for Council Tax Statutory Penalties. Further details can be found in Note 46.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

Comprehensive Income and Expenditure Statement
For the year ended 31 March 2015

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.

| | 2013/14 | | | | 2014/15 | | |
|--|-------------------|-----------------------|----------------------|-----------------------------------|-------------------|-----------------|----------------------|
| | Gross Expenditure | Restated Gross Income | Net Expend/ (Income) | | Gross Expenditure | Gross Income | Net Expend/ (Income) |
| | £000 | £000 | £000 | | £000 | £000 | £000 |
| | 3,247 | (1,472) | 1,775 | Central Services to the Public | 3,423 | (1,168) | 2,255 |
| | 8,158 | (1,861) | 6,297 | Cultural and Related Services | 9,342 | (2,481) | 6,861 |
| | 49,146 | (3,586) | 45,560 | Education Services | 48,961 | (3,881) | 45,080 |
| | 5,316 | (1,168) | 4,148 | Roads and Transport Services | 5,662 | (1,264) | 4,398 |
| | 41,582 | (39,792) | 1,790 | Housing Services | 53,388 | (46,430) | 6,958 |
| | 4,583 | (582) | 4,001 | Planning and Development Services | 3,582 | (1,288) | 2,294 |
| | 41,344 | (10,785) | 30,559 | Social Work | 44,655 | (11,464) | 33,191 |
| | 7,311 | (1,135) | 6,176 | Environmental Services | 7,896 | (1,079) | 6,817 |
| | - | - | (14) | (14) | Fire Services* | - | - |
| | 2,523 | - | 2,523 | Corporate and Democratic Core | 2,779 | - | 2,779 |
| | 664 | - | 664 | Non distributed costs | 269 | - | 269 |
| | 163,874 | (60,395) | 103,479 | Cost of Services | 179,957 | (69,055) | 110,902 |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Comprehensive Income and Expenditure Statement
For the year ended 31 March 2015

| 2013/14 | | | 2014/15 | | | |
|-------------------|-----------------------|----------------------|---|-------------------|--------------|-----------------------|
| Gross Expenditure | Restated Gross Income | Net Expend/ (Income) | | Gross Expenditure | Gross Income | Net Expend/ (Income) |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 8,715 | (7,289) | 1,426 | Other Operating Expenditure (Note 8) | 893 | - | 893 |
| 13,256 | (873) | 12,383 | Financing and Investment Income and Expenditure (Note 9) | 13,598 | (793) | 12,805 |
| - | <u>(119,790)</u> | (114,149) | <u>(114,149)</u> Taxation and Non-Specific grant Income (Note 10) | | 18 | (119,808) |
| | | 3,139 | (Surplus)/Deficit on Provision of Services (Note 11) | | | 4,810 |
| | | (784) | Surplus on revaluation of non-current assets (Note 26) | | | (51,446) |
| | | 2,931 | Impairment losses on non-current assets charged to the revaluation reserve (Note 26) | | | 5,936 |
| | | <u>6,360</u> | Actuarial (gains)/losses on pension assets/liabilities (Note 26) | | | <u>40,079</u> |
| | | <u>8,507</u> | Other Comprehensive Income and Expenditure | | | <u>(5,431)</u> |
| | | <u>11,646</u> | Total Comprehensive Income and Expenditure | | | <u>(621)</u> |

*** Fire Services**

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.

The amounts for 2013/14 have been restated to reflect a prior year adjustment for Council Tax Statutory Penalties. Further details can be found in Note 46.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

Balance Sheet as at 31st March 2015

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 for 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 of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| 31 March 2014 | | | 31 March 2015 |
|----------------------|-------------------------------------|-------------|----------------------|
| Restated | | | |
| £000 | | Note | £000 |
| 313,636 | Property, Plant & Equipment | 12 | 352,220 |
| 974 | Heritage Assets | 13 | 835 |
| 5,237 | Investment Properties | 14 | 5,481 |
| 634 | Intangible Assets | 15 | 565 |
| 5,471 | Long-Term Investments | 16 | 7,883 |
| <u>2</u> | Long-Term Debtors | | <u>2</u> |
| 325,954 | Non-Current Assets | | 366,986 |
| - | Investment Properties held for Sale | 17 | 324 |
| 65 | Assets held for Sale | 17 | 1,499 |
| 520 | Inventories | 18 | 520 |
| 15,633 | Short-Term Debtors | 19 | 15,764 |
| 10,000 | Short-Term Investments | 20 | 848 |
| <u>8,362</u> | Cash and Cash Equivalents | 20 | <u>20,229</u> |
| 34,580 | Current Assets | | 39,184 |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Balance Sheet as at 31st March 2015

| 31 March 2014 | | | 31 March 2015 |
|---------------------------|------------------------------|-------------|---------------------------|
| Restated | | Note | £000 |
| £000 | | | £000 |
| (15,052) | Short-Term Borrowing | 23 | (19,543) |
| (24,528) | Short-Term Creditors | 21 | (23,214) |
| <u>(239)</u> | Provisions | 22 | <u>(926)</u> |
| (39,819) | Current Liabilities | | (43,683) |
| (375) | Provisions | 22 | (255) |
| (105,721) | Long-Term Borrowing | 23 | (102,658) |
| <u>(135,474)</u> | Other Long-Term Liabilities | 24 | <u>(179,808)</u> |
| (241,570) | Long-Term Liabilities | | (282,721) |
| <hr/> 79,145 <hr/> | Net Assets | | <hr/> 79,766 <hr/> |
| 20,326 | Usable Reserves | | 17,957 |
| <u>58,819</u> | Unusable Reserves | 26 | <u>61,809</u> |
| 79,145 | Total Reserves | | 79,766 |

The amounts for 2013/14 have been restated to reflect a prior year adjustment for Council Tax Statutory Penalties. Further details can be found in Note 46.

The unaudited financial statements were issued on 25 June 2015 and the audited financial statements were authorised for issue on 24 September 2015.

Nikki Bridle
Depute Chief Executive
24 September 2015

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Cash Flow Statement
For the year ended 31 March 2015

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 of 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.

| 2013/14 | | 2014/15 |
|--------------------------|--|---------------------------|
| Restated | | |
| £000 | | £000 |
| (3,139) | Net (deficit) on the provision of services | (4,810) |
| 18,495 | Adjustments to net deficit on the provision of services for non-cash movements | 38,066 |
| <u>(9,185)</u> | Adjustments for items included in the net deficit of the provision of services that are investing and financing activities | <u>(23,949)</u> |
| 6,171 | Net cash flows from Operating Activities (Note 27) | 9,307 |
| (14,974) | Investing Activities (Note 28) | 2,278 |
| <u>(3,316)</u> | Financing Activities (Note 29) | <u>282</u> |
| (12,119) | Net increase (decrease) in cash and cash equivalents | 11,867 |
| 20,481 | Cash and Cash equivalents at the beginning of the reporting year (Note 20) | 8,362 |
| <hr/> 8,362 <hr/> | Cash and Cash equivalents at the end of the reporting year (Note 20) | <hr/> 20,229 <hr/> |

The amounts for 2013/14 have been restated to reflect a prior year adjustment for Council Tax Statutory Penalties. Further details can be found in Note 46.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

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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CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

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CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

Note 1 - Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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. The accounting policies have been applied consistently in the current and prior years.

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;

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

b) Accruals of Income and Expenditure (continued)

- 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.

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.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

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 are 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.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

f) Employee Benefits (continued)

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Falkirk pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate utilised by the actuaries to place a value on the liability.

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Note 1 - Accounting Policies (continued)

f) Employee Benefits (continued)

The Local Government Pension Scheme (continued)

- 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 employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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Note 1 - Accounting Policies (continued)

f) Employee Benefits (continued)

In relation to retirement benefits, Scottish Government Regulations require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early voluntary severance. 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.

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Note 1 - Accounting Policies (continued)

h) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability or equity instrument to another entity.

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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Note 1 - Accounting Policies (continued)

h) Financial Instruments (continued)

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.

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.

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Note 1 - Accounting Policies (continued)

i) Government Grants and Contributions (continued)

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 operates as an agent on behalf of the BID bodies and as a consequence the income and expenditure is not shown in the Comprehensive Income and Expenditure Statement.

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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Note 1 - Accounting Policies (continued)

j) Heritage Assets (continued)

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

Recognised in Balance Sheet at Valuation

- Art Collections
- Public Art statues, glassworks & mosaics
- Civic Regalia
- Museum Collections (including 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.

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Note 1 - Accounting Policies (continued)

k) Intangible Assets (continued)

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 cost less amortisation and any provision for impairment. 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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Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

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.

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.

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Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

o) Leases (continued)
The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating Leases

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

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Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

o) Leases (continued)
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.

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

o) Leases (continued)

The Council as Lessor (continued)

Operating Leases

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

p) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA '*Service Reporting Code of Practice 2014/15*' (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.

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Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

q) Property, Plant and Equipment (continued)

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 (EUV-SH); and
- all other assets – fair value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

q) Property, Plant and Equipment (continued)

Measurement (continued)

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

Non-HRA assets included in the Balance Sheet at fair value are reviewed annually to ensure that their carrying amount is not materially different from their fair value at the year-end. HRA assets are reviewed at least every five years, the last major review being at 1st April 2014. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, or credited to the Comprehensive Income and Expenditure Statement where they arise as a reversal of a revaluation loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); 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.

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Note 1 - Accounting Policies (continued)

q) Property, Plant and Equipment (continued)

Impairment (continued)

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.

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Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

q) Property, Plant and Equipment (continued)

Depreciation (continued)

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

Componentisation

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

Significant components are deemed to be those whose cost is 25% or more of the total cost of the individual asset. In accordance with the Council's 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.

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Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

q) Property, Plant and Equipment (continued)
Disposals (continued)

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

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

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

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

r) Private Finance Initiative (PFI) and Similar Contracts

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

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

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Note 1 - Accounting Policies (continued)

r) Private Finance Initiative (PFI) and Similar Contracts (continued)

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.

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Note 1 - Accounting Policies (continued)

s) Provisions, Contingent Liabilities and Contingent Assets (continued)

Provisions (continued)

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.

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.

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Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

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.

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Notes to the Financial Statements

Note 2 - Changes to Accounting Standards

Accounting Standards Adopted in the Year

The following new Standards, Amendments and Interpretations became effective in 2014/15 for the first time:

- IFRS10 Consolidated Financial Statements
- IFRS11 Joint Arrangements
- IFRS12 Disclosure of Interests in Other Entities
- IAS27 Separate Financial Statements
- IAS28 Investments in Associates and Joint Ventures
- IAS32 Financial Instruments: Presentation

There is no impact on the financial statements as a result of the above.

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 2015/16 Code to which this applies are listed below:

- IFRS13 Fair Value Measurement (May 2011)
- IFRIC 21 Levies
- Annual Improvements to IFRS 2011-2013 Cycle
- IAS36 Impairment of Assets (amended)

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 financial statements.

IFRS13 provides a common definition of fair values which takes into account the characteristics of the assets or liabilities which would be considered by market participants in determining the price of the asset or liability.

IFRIC21 provides guidance on when to recognise a liability for a levy imposed by a government.

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.

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Notes to 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: and
- 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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Notes to the Financial Statements

Note 4 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (continued)

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------------|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and Council houses would increase by £526k and £374k respectively for every year that useful lives had to be reduced. |
| Provisions | The Council has a provision of £0.181m 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 2 nd and 3 rd 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 2015 the Council had Council Tax debt outstanding of £10.302m. A review of outstanding balances suggested that an allowance for doubtful debts of £7.108m was appropriate resulting in a coverage of 69% 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 increased for instance by 5% then a further contribution of £515k would be required |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

Note 4 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (continued)

| | | |
|--------------------------|---|---|
| Arrears – Sundry Debtors | At 31 March 2015 the Council had a balance of sundry debtors of £3.104m. A review of outstanding balances suggested that an allowance for doubtful debts over £494k 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 £155k to be set aside as an allowance. |
| Pensions Liability | Estimates 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 £38.880m. |
| Housing Rent Arrears | At 31 March 2015 the Council had Housing Rent Arrears of £1.224m. A review of outstanding balances suggested that an impairment for irrecoverable rents of £0.935m was appropriate resulting in a coverage of 76% 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 £31k to £0.966m increasing the % coverage for doubtful debts to 79% |

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Notes to the Financial Statements

Note 5 – Events After the Reporting Period

The Audited Financial Statements were authorised for issue by the Depute Chief Executive on 24 September 2015. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date are not reflected in the Financial Statements or Notes.

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

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Notes to the Financial Statements

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

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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Notes to the Financial Statements

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)
2014/15

| | General Fund Balance £000 | Housing Revenue Account £000 | Usable Reserves 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 | (8,350) | (13,428) | - | - | 21,778 |
| Movements in the fair value of investment assets | (395) | - | - | - | 395 |
| Amortisation of intangible assets | (190) | - | - | - | 190 |
| Capital grants and contributions applied | 10,465 | 2,109 | - | - | (12,574) |
| Revenue funded Capital Expenditure under Statute | (865) | - | - | - | 865 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES | (151) | (1,119) | - | - | 1,270 |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u> | | | | | |
| Statutory provision for the financing of capital investment | 6,790 | 1,372 | - | - | (8,162) |
| Capital expenditure charged against the General Fund and HRA balances | 12 | 5,889 | - | - | (5,901) |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | | |
| Capital Grants and contribution unapplied credited to the CIES | 160 | - | - | (160) | - |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the CIES | 368 | 847 | (1,215) | - | - |

**CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2014/15 (continued)

| | General Fund Balance £000 | Housing Revenue Account £000 | Usable Reserves Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|------------------------------------|---------------------------------------|---|--|---|
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 420 | - | (420) |
| Adjustments primarily involving the Financial Instruments Adjustment Account | | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 209 | - | - | - | (209) |
| Adjustments involving the Pension Reserve | | | | | |
| Reversal of items relating to post employment benefits debited or credited to the Provision of Services in the CIES (see Note 42) | (14,180) | (156) | - | - | 14,336 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 8,991 | (207) | - | - | (8,784) |
| Adjustment involving the Accumulating Compensated Absences Adjustment Account | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (127) | 2 | - | - | 125 |
| Total Adjustments | 2,737 | (4,691) | (795) | (160) | 2,909 |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)
2013/14

| | General Fund Balance £000 | Housing Revenue Account £000 | Usable Reserves 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</u> | | | | | |
| <u>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 CIES | (472) | (1,952) | - | - | 2,424 |
| <u>Insertion of items not debited or credited to the</u> | | | | | |
| <u>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 CIES | 283 | 781 | (1,064) | - | - |
| Use of the Capital Receipts Reserve to finance new Capital expenditure | - | - | 781 | - | (781) |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2013/14 (continued)

| | General Fund Balance £000 | Housing Revenue Account £000 | Usable Reserves Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|--|---|--|--|---|
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 210 | - | - | - | (210) |
| Adjustments involving the Pension Reserve | | | | | |
| Reversal of items relating to post employment benefits debited or credited to the Surplus or debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see Note 42) | (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 CIES 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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Notes to the Financial Statements

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 the future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA Expenditure in 2014/15.

| 2014/15 | General Fund £000 | HRA £000 | Capital Receipts Reserve £000 | Insurance Fund £000 |
|---|----------------------------------|---------------------|--|------------------------------------|
| Net Transfer from Insurance Fund to General Fund | (59) | - | - | 59 |
| SimCo Funding from General Fund to HRA | (468) | 468 | - | - |
| Application of SimCo funding to HRA Capital Expenditure (Unusable Reserves – Capital Adjustment Account) | - | (468) | - | - |
| Transfer from Capital Receipts to Fund PPP | 1,555 | - | (1,555) | - |
| Total | 1,028 | - | (1,555) | 59 |

| 2013/14 | General Fund £000 | HRA £000 | Capital Receipts Reserve £000 | Insurance Fund £000 |
|--|----------------------------------|---------------------|--|------------------------------------|
| Net Transfer from Insurance Fund to General Fund | (363) | - | - | 363 |
| SimCo Funding from GF to HRA | (790) | 790 | - | - |
| Application of SimCo funding to HRA Capital Expenditure (Unusable Reserves – CAA) | - | (790) | - | - |
| Transfer from Capital Receipts to Fund PPP | 1,562 | - | (1,562) | - |
| Total | 409 | - | (1,562) | 363 |

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 8 – Other Operating Expenditure

This note provides detail regarding the Other Operating Expenditure line within the Comprehensive Income and Expenditure Statement on page 66.

| | 2013/14 £000 | 2014/15 £000 |
|--|-------------------------------|-------------------------------|
| (Gains)/losses on trading operations (Note 30) | 66 | - |
| (Gains)/losses on the disposal of non-current assets | 1,360 | - |
| (Gains)/losses on the change in fair value of assets held for sale | - | 893 |
| | <hr/> | <hr/> |
| Total | 1,426 | 893 |
| | <hr/> | <hr/> |

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 66.

| | 2013/14 £000 | 2014/15 £000 |
|---|-------------------------------|-------------------------------|
| Interest payable and similar charges | 9,564 | 9,307 |
| Net Interest on the Net Defined Benefit Liability | 3,572 | 3,896 |
| Interest receivable and similar income | (639) | (575) |
| Changes in the carrying value of LOBO (Lender Options Borrower Options) loans | (6) | (6) |
| Revaluation of Investment Property – Note 14 and Note 6 | 120 | 395 |
| Rental Income from Investments | (228) | (212) |
| | <hr/> | <hr/> |
| Total | 12,383 | 12,805 |
| | <hr/> | <hr/> |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

Notes to the Financial Statements

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 66.

| | 2013/14 £000 | 2014/15 £000 |
|---|-------------------------------|-------------------------------|
| Council Tax Income | (18,113) | (18,341) |
| Grant allocation for Council Tax Reduction Scheme | (3,498) | (3,526) |
| Non-Domestic Rate Income distributed by pool | (11,872) | (12,918) |
| Non-Domestic Rate Income Retained by Authority (BRIS) | - | 18 |
| Non-ring fenced government grants | (78,911) | (79,795) |
| Capital grants and contributions | (1,755) | (5,228) |
| Total | (114,149) | (119,790) |

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 costs of benefits accrued in the year; and
- expenditure on some support services is budgeted for centrally and not charged to services.

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15**

Notes to the Financial Statements

Note 11 – Amounts Reported for Resource Allocation Decisions (continued)

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 2014/15

| | Support Services | Strategy & Customer Services | Facilities Management | Social Services | Education | Community & Regulatory | General Fund Housing | Housing Revenue Account | Total |
|---|---------------------|------------------------------------|--------------------------|--------------------|----------------|---------------------------|----------------------------|-------------------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, Charges & Other Service Income | (1,469) | (880) | (4,372) | (9,740) | (1,965) | (3,754) | (3,706) | (19,602) | (45,488) |
| Government Grants | (353) | - | (14) | (1,963) | (315) | (470) | (20,956) | - | (24,071) |
| Total Income | <u>(1,822)</u> | <u>(880)</u> | <u>(4,386)</u> | <u>(11,703)</u> | <u>(2,280)</u> | <u>(4,224)</u> | <u>(24,662)</u> | <u>(19,602)</u> | <u>(69,559)</u> |
| Employee Expenses | 5,520 | 5,694 | 7,886 | 13,847 | 32,429 | 4,242 | 1,320 | 6,266 | 77,204 |
| Other Operating Expenses | 2,449 | 800 | 19,612 | 26,016 | 4,218 | 4,700 | 25,330 | 4,257 | 87,382 |
| Total Operating Expenses | <u>7,969</u> | <u>6,494</u> | <u>27,498</u> | <u>39,863</u> | <u>36,647</u> | <u>8,942</u> | <u>26,650</u> | <u>10,523</u> | <u>164,586</u> |
| Net Cost of Services | <u>6,147</u> | <u>5,614</u> | <u>23,112</u> | <u>28,160</u> | <u>34,367</u> | <u>4,718</u> | <u>1,988</u> | <u>(9,079)</u> | <u>95,027</u> |

**CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 11 – Amounts Reported for Resource Allocation Decisions (continued)

Portfolio Income and Expenditure 2013/14

| | Support Services £000 | Strategy & Customer Services £000 | Facilities Management £000 | Social Services £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) | - | (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 |

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Notes to the Financial Statements

Note 11 – Amounts Reported for Resource Allocation Decisions (continued)

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

| | 2013/14 | 2014/15 |
|--|-----------------|----------------|
| | Restated | |
| | £000 | £000 |
| Cost of Services in Service Analysis | 96,186 | 95,027 |
| Add amounts not reported in service management accounts (1)* | 7,293 | 15,875 |
| | 103,479 | 110,902 |

Net Cost of Services in Comprehensive Income and Expenditure Statement

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

Reconciliation to Subjective Analysis 2014/15

| | Service Analysis £000 | Not Reported In Service Management A/cs £000 | Net Cost of Services £000 | Corporate Amounts £000 | Total £000 |
|--|--------------------------------------|---|--|---------------------------------------|-----------------------|
| Fees, charges & other service income | (45,488) | (4,744) | (50,232) | - | (50,232) |
| Interest and Investment income | - | - | - | (793) | (793) |
| Income from Council Tax (incl Statutory Penalties) | - | (32) | (32) | (21,867) | (21,899) |
| Government grants and contributions | (24,071) | (7,506) | (31,577) | (97,923) | (129,500) |
| Total Income | (69,559) | (12,282) | (81,841) | (120,583) | (202,424) |
| Employee expenses | 77,204 | 2,586 | 79,790 | - | 79,790 |
| Other Service expenses | 87,382 | 4,518 | 91,900 | - | 91,900 |
| Joint Board Requisitions | - | 393 | 393 | - | 393 |
| Depreciation, amortisation and impairment | - | 20,660 | 20,660 | 1,233 | 21,893 |
| Interest payments | - | - | - | 13,203 | 13,203 |
| Gain or loss on disposal of Fixed Assets | - | - | - | 55 | 55 |
| Total Operating expenses | 164,586 | 28,157 | 192,743 | 14,491 | 207,234 |
| (Surplus) or deficit on the provision of services | 95,027 | 15,875 | 110,902 | (106,092) | 4,810 |

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Note 11 – Amounts Reported for Resource Allocation Decisions (continued)

**Reconciliation to Subjective Analysis 2013/14
Restated**

| | Service Analysis £000 | Not Reported In Service Management A/cs £000 | Net Cost of Services £000 | Corporate Amounts £000 | Total £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 (incl Statutory Penalties)* | - | (276) | (276) | (21,611) | (21,887) |
| Government grants and contributions | (21,929) | (5,894) | (27,823) | (92,538) | (120,361) |
| Total Income | (62,164) | (17,983) | (80,147) | (115,022) | (195,169) |
| 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 | 7,293 | 103,479 | (100,340) | 3,139 |

*The amounts for 2013/14 have been restated to reflect a prior year adjustment for Council Tax Statutory Penalties. Further details can be found in Note 46.

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Notes to the Financial Statements

Note 12 – Property, Plant and Equipment

Valuations

Assets at valuation are included in the Balance Sheet at their current asset value as at 1 April 2014 as amended by subsequent additions and disposals. The Council appointed the District Valuer to conduct its five-yearly valuation of assets, carried out by Frances Hay, MRICS, Senior Valuer. Council Dwellings were valued at £122.897m, Other Property at £174.51m and Surplus Assets at £0.76m as at 1 April 2014. The basis for valuation is set out in the statement of accounting policies.

Movements on Balances

Movements in 2014/15

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant & Equipment £000 | Infrastructure Assets £000 | Assets under Construction £000 | Surplus Assets £000 | Total Property, Plant & Equip £000 | Concession Assets included in Property, Plant & Equipment £000 |
|---|---------------------------|----------------------------------|-------------------------------------|-------------------------------|-----------------------------------|------------------------|---------------------------------------|---|
| Cost or Valuation | | | | | | | | |
| At 1 April 2014 | 150,505 | 151,164 | 16,813 | 41,718 | 9,348 | 2,840 | 372,388 | 61,325 |
| Additions | 7,591 | 1,977 | 2,022 | 3,630 | 3,043 | 114 | 18,377 | 20 |
| Revaluation increases/(decreases) | (28,294) | 28,368 | - | 26 | (199) | (937) | (1,036) | 33,276 |
| Derecognition – Disposals | (1,123) | (148) | (658) | - | - | - | (1,929) | - |
| Assets reclassified (to)/from held for Sale | - | (1,919) | - | - | - | - | (1,919) | - |
| Other Movements in Cost or Valuation* | 2,257 | 6,197 | - | - | (10,741) | (1,825) | (4,112) | - |
| At 31 March 2015 | 130,936 | 185,639 | 18,177 | 45,374 | 1,451 | 192 | 381,769 | 94,621 |

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ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

Note 12 – Property, Plant and Equipment (continued)

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Assets under Construction | Surplus Assets | Total Property, Plant & Equip | Concession Assets included in Property, Plant & Equipment |
|---|----------------------|-----------------------------|--------------------------------|--------------------------|------------------------------|----------------|----------------------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2014 | 20,658 | 19,544 | 12,140 | 5,499 | - | 911 | 58,752 | 5,447 |
| Depreciation charge | 6,079 | 4,762 | 1,156 | 707 | - | - | 12,704 | 1,948 |
| Depreciation written out as part of Revaluations | (20,562) | (17,886) | - | - | - | - | (38,448) | (5,446) |
| Derecognition – Disposals | (126) | (10) | (658) | - | - | - | (794) | - |
| Other movements in depreciation and impairment* | (10) | (1,744) | - | - | - | (911) | (2,665) | - |
| At 31 March 2015 | 6,039 | 4,666 | 12,638 | 6,206 | - | - | 29,549 | 1,949 |
| Net Book Value: | | | | | | | | |
| At 31 March 2015 | 124,897 | 180,973 | 5,539 | 39,168 | 1,451 | 192 | 352,220 | 92,672 |
| At 31 March 2014 | 129,847 | 131,620 | 4,673 | 36,219 | 9,348 | 1,929 | 313,636 | 55,878 |

*Other movements in Cost or Valuation/depreciation and impairment relate to transfers between Property, Plant and Equipment and Investment Properties.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

Notes to the Financial Statements

Note 12 – Property, Plant and Equipment (continued)
Comparative Movements in 2013/14

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant & Equipment £000 | Infrastructure Assets £000 | Assets under Construction £000 | Surplus Assets £000 | Total Property, Plant & Equip Service £000 | Concession Assets included in Property, Plant & Equipment £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* | (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 |

**CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 12 – Property, Plant and Equipment (continued)

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant & Equipment £000 | Infrastructure Assets £000 | Assets under Construction £000 | Surplus Assets £000 | Total Property, Plant & Equip Service £000 | Concession Assets included in Property, Plant & Equipment £000 |
|---|---------------------------|-------------------------------------|--|----------------------------------|--------------------------------------|------------------------|---|--|
| Accumulated Depreciation and Impairment | | | | | | | | |
| 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 |

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

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 12 – Property, Plant and Equipment (continued)

Capital Commitments

At 31 March 2015 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £6.63m. Similar commitments at 31 March 2014 were £11.5m. The major commitments are as follows:

| | |
|--|--------|
| HRA Council Housing Bathrooms | £2.31m |
| HRA Council Housing Central Heating & Rewiring | £1.77m |
| HRA New Build Council Houses | £1.67m |

Note 13 – Heritage Assets

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

| | Art Collection £000 | Public Art - Statues Glass & Mosaics £000 | Industrial Equipment & Other items £000 | Total Assets £000 |
|--------------------------|---------------------------|--|--|-------------------------|
| Cost or Valuation | | | | |
| 1 April 2013 | 108 | 650 | 132 | 890 |
| Disposals | - | - | (66) | (66) |
| Revaluations | - | - | 150 | 150 |
| 31 March 2014 | 108 | 650 | 216 | 974 |
| Cost or Valuation | | | | |
| 1 April 2014 | 108 | 650 | 216 | 974 |
| Revaluations | 7 | (150) | 4 | (139) |
| 31 March 2015 | 115 | 500 | 220 | 835 |

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Note 13 – Heritage Assets (continued)

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. When they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the Museum & Heritage Officer.

Public Art – Statues

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

Public Art – Glassworks and Mosaics

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

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ANNUAL ACCOUNTS 2014/15**

Notes to the Financial Statements

Note 13 – Heritage Assets (continued)

Industrial Equipment and Ephemera (continued)

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
Collection of Civil Regalia

Additions and Disposals of Heritage Assets

There have been no significant additions or disposals of heritage assets during the year.

Assets excluded from Heritage Assets

The council has a number of assets that may be regarded as heritage assets, but which have not been included in the Balance Sheet since the Council considered that obtaining valuations would involve disproportionate cost or reliable cost or valuation information cannot be obtained for these items. This is because of the diverse nature of assets held, the number of assets held, and the lack of comparable market values. The Code therefore permits such assets to be excluded from the Balance Sheet. Within this category the Council owns and maintains 12 War Memorials throughout the County. The Council also 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.

CLACKMANNANSHIRE COUNCIL
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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 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Rental Income from Investment | 230 | 212 |
| Direct operating expenses arising from investment property | (2) | - |
| Net Gain | 228 | 212 |

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.

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 14 – Investment Properties (continued)

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

| | 31 March 2014 | 31 March 2015 |
|--|----------------------|-----------------------|
| | £000 | £000 |
| Balance at 1 April | 5,689 | 5,237 |
| Additions | 49 | 5 |
| Disposals | (155) | - |
| Net (losses) from fair value adjustments | (145) | (395) |
| Transfers: | | |
| - | | (to)/from Property |
| Plant and Equipment (Note 12) | (287) | 393 |
| - | | (to)/from Assets Held |
| for Sale (Note 17) | 86 | (324) |
| - | | Other Changes _____ |
| <u>565</u> | | |
| Balance at 31 March | <u>5,237</u> | <u>5,481</u> |

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

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 £190k charged to revenue in 2014/15 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 in Intangible Asset balances during the year is as follows:

| | 31 March 2014 | 31 March 2015 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Balance at start of year: | | |
| • amounts | 1,826 | 1,908 |
| • amortisation | (1,192) | (1,274) |
| Net carrying amount at start of year | 634 | 634 |

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Notes to the Financial Statements

Note 15 – Intangible Assets (continued)

Additions

- -
 - accumulated amortisation
 - period
- Net carrying amount at end of year**

Comprising:

- amounts
- amortisation

| | 31 March 2014 | 31 March 2015 |
|-----------------------|----------------------|----------------------|
| | £000 | £000 |
| | 178 | 121 |
| Disposals gross costs | (96) | - |
| Disposals | 96 | - |
| Amortisation for the | <u>(178)</u> | <u>(190)</u> |
| | <u>634</u> | <u>565</u> |
| Gross carrying | 1,908 | 2,029 |
| Accumulated | (1,274) | (1,464) |
| | <u>634</u> | <u>565</u> |

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 16 – Long Term Investments

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

| | 31 March 2014 | 31 March 2015 |
|---|----------------------|----------------------|
| | £000 | £000 |
| CSBP Clackmannanshire Developments Ltd (at cost) | 1,524 | - |
| Less Impairment in Value | <u>(960)</u> | <u>-</u> |
| CSBP Clackmannanshire Developments Ltd (carrying value) | 564 | - |
| CSBP Clackmannanshire Investments Ltd (at cost) | 1 | 1 |
| Clackmannanshire Regeneration LLP | 4,906 | 4,906 |
| Coalsnaughton NHT 2012 LLP | - | 2,976 |
| | <u>5,471</u> | <u>7,883</u> |

The sum invested in CSBP Clackmannanshire Developments Ltd as at 31 March 2014 represented a shareholder loan in this joint venture company. This has now been transferred to Short Term Investments as it has been agreed by the board of CSBP Developments Ltd to wind up the development company in 2015/16. See Note 20 Short Term Investments.

In December 2011 the Council agreed to lend £4.906m to Clackmannanshire Regeneration LLP, a company established to develop the new council offices in 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.

CLACKMANNANSHIRE COUNCIL
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Note 16 – Long Term Investments (continued)

In August 2012 the Council approved the proposal to support the first National Housing Trust project at Coalsnaughton. The National Housing Trust (NHT) was set up by the Scottish Government and the Scottish Futures Trust (SFT) to provide properties at Mid Market Rent (MMR) which sit between social and private market rent levels. The project is delivered through a joint venture arrangement between the Council, SFT and the development partner Hadden Construction Ltd. The delivery vehicle is by means of a Limited Liability Partnership (LLP). The Council provided finance to the LLP in the form of a loan during 2014/15. This loan is secured by means of a Guarantee from the Scottish Government. In the event of a shortfall or default the Council can draw full repayment from the Scottish Government. The Council through this loan facility provides 70% of costs overall for the purchase of completed properties by the LLP. The remaining sum is provided in the form of equity from the developer.

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 17 – 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. These criteria are detailed in the Accounting Policies.

| | 31 March 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Balance outstanding at start of year | 286 | 65 |
| Impairment losses | - | (838) |
| Assets reclassified (to)/from Other Land & Buildings (Note 12) | 65 | 2,337 |
| Assets reclassified (to)/from Investments Properties (Note 14) | (86) | - |
| Assets reclassified (to)/from Assets under Construction (Note 12) | (206) | - |
| Assets Sold | - | (65) |
| Expenditure incurred | 6 | - |
| | <hr/> | <hr/> |
| Balance outstanding at year-end | 65 | 1,499 |
| | <hr/> | <hr/> |
| | 31 March 2014 | 31 March 2015 |
| | £000 | £000 |
| Investment Properties Held for Sale | | |
| Investments properties held for sale - reclassified (to)/from Investments Properties (Note 14) | <hr/> - | <hr/> 324 |

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Notes to the Financial Statements

Note 18 – 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 Maint | | Other | | Total | |
|---|-----------------------|----------------|-----------------|----------------|----------------------|----------------|----------------|----------------|----------------|----------------|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| Balance at start of year | 173 | 234 | 40 | 49 | 57 | 51 | 190 | 186 | 460 | 520 |
| Purchases | 971 | 822 | 720 | 686 | 608 | 530 | 519 | 476 | 2,818 | 2,514 |
| Recognised as an expense In the year | (910) | (818) | (711) | (685) | (614) | (536) | (523) | (475) | (2,758) | (2,514) |
| Balance at year-end | 234 | 238 | 49 | 50 | 51 | 45 | 186 | 187 | 520 | 520 |

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Notes to the Financial Statements

Note 19 – Short-Term Debtors

This Note provides detail of the Short-Term Debtors line in the Balance Sheet on page 68. A Short-Term Debtor represents money that is owed to the Council 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 2014 | 31 March 2015 |
|---------------------------------------|----------------------|----------------------|
| | Restated | |
| | £000 | £000 |
| Central government bodies | 3,514 | 3,459 |
| Other local authorities | 1,714 | 1,938 |
| NHS bodies | 672 | 1,005 |
| Public corporations and trading funds | 11 | 7 |
| Other entities and individuals | <u>9,722</u> | <u>9,355</u> |
| Total | <u>15,633</u> | <u>15,764</u> |

Within Debtors 2013/14, Other Entities and Individuals has been restated to reflect an additional £0.276m for Council Tax Statutory Penalties. Further details of the restatement are given in Note 46. Other Entities and Individuals has also been restated downwards by £862k to correct a miscategorisation the previous year and has been allocated to Other Local Authorities £523k and NHS Bodies £339k. Public corporations have also been restated downward by £271k and moved to Other Entities and Individuals to correct a miscategorisation in the previous year.

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Notes to the Financial Statements

Note 20 – Short-Term Investments and Cash and Cash Equivalents

This Note provides detail of the Short-Term Investments and Cash and Cash Equipment lines in the Balance Sheet on page 68.

| | 31 March 2014 | 31 March 2015 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Short-Term Investments | | |
| Fixed term cash deposits with banks under 1 year | 10,000 | - |
| CSBP Clackmannanshire Developments Ltd (at cost) | - | 598 |
| Add reversal of impairment in Value | - | 250 |
| CSBP Clackmannanshire Developments Ltd (carrying value) | - | 848 |
| Total Short-Term Investments | 10,000 | 848 |
| Cash and Cash Equivalents | | |
| Cash held by the Council | 29 | 24 |
| Bank current accounts | 8,333 | 20,205 |
| Total Cash and Cash Equivalents | 8,362 | 20,229 |
| TOTAL | 18,362 | 21,077 |

Fixed term deposits in 2013/14 matured in 2014/15. These were not re-invested and now form part of the cash held in the bank current account.

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Notes to the Financial Statements

Note 20 – Short- Term Investments and Cash and Cash Equivalents (continued)

The sum invested in CSBP Clackmannanshire Developments Ltd represents the shareholder loan in this joint venture company. Interest accrued is added to the loan annually. The reversal in impairment in value included in 2014/15 represents the Council's 50% share of the anticipated reversal for shortfall in funds deducted in 2013/14 within the company based on estimated sale of remaining properties at current values. This loan was previously detailed in Long Term Investments but as the board of CSBP Developments Ltd have agreed to wind up the development Company in 2015/16 this has now been transferred to short term investments.

Note 21 – Short-Term Creditors

This Note provides detail of the Short-Term Creditors line in the Balance Sheet on page 69. 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 2014 | 31 March 2015 |
|---------------------------------------|----------------------|----------------------|
| | £000 | £000 |
| Central government bodies | 5,277 | 8,417 |
| Other local authorities | 1,173 | 2,147 |
| NHS bodies | 450 | 444 |
| Public corporations and trading funds | 371 | 295 |
| Other entities and individuals | 17,257 | 11,911 |
| Total | 24,528 | 23,214 |

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Note 22 – Provisions

Current Provisions:

Voluntary Severance

In accordance with IAS37 where individual posts have been identified and agreed for voluntary severance, but not actually paid before 31 March, a provision is made. The provision made in 2013/14 of £60k was fully utilised in the year. A provision of £787k is required in the 2014/15 accounts to meet the voluntary severance costs approved in year.

Damages Claim

Claims were made against the Council by the Contractor in relation to the award of a contract to install kitchens in Council Properties. Costs incurred in 2014/15 were met from the brought forward provision. A further provision of £61k has been made in 2014/15 to meet the final costs in concluding this action.

Legal Cases

The Council is currently engaged in a number of legal cases, for which we have made a provision for £78k to cover the estimated costs. Due to the sensitive nature of the cases further details can not be disclosed.

Long Term Provisions:

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. 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 £120k. It is anticipated that the remaining provision of £181k will be sufficient to complete the settlement of the remaining claims and statutory on-costs.

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Notes to the Financial Statements

Note 22 – Provisions (continued)

| | Current Provision Voluntary Severance £000 | Current Provision Damages Claim £000 | Current Provision Legal Cases £000 | Long Term Provision Equal Pay £000 | Long Term Provision Insurance £000 | Total £000 |
|--|---|---|---|---|---|-----------------------|
| Opening Balance at 1 April 2014 | (60) | (179) | - | (301) | (74) | (614) |
| Additional provision made in 2014/15 | (787) | (61) | (78) | - | - | (926) |
| Amounts used in 2014/15 | 60 | 179 | - | 120 | - | 359 |
| Balance at 31 March 2015 | <u>(787)</u> | <u>(61)</u> | <u>(78)</u> | <u>(181)</u> | <u>(74)</u> | <u>(1,181)</u> |

| | Current Provision Voluntary Severance £000 | Current Provision Damages Claim £000 | Current Provision Legal Cases £000 | Long Term Provision Equal Pay £000 | Long Term Provision Insurance £000 | Total £000 |
|--|---|---|---|---|---|-----------------------|
| Opening Balance at 1 April 2013 | (374) | - | - | (395) | (153) | (922) |
| Additional provision made in 2013/14 | (3) | (179) | - | - | - | (182) |
| Reduction in provision made in 2013/14 | - | - | - | 53 | - | 53 |
| Amounts used in 2013/14 | <u>317</u> | <u>-</u> | <u>-</u> | <u>41</u> | <u>79</u> | <u>437</u> |
| Balance at 31 March 2014 | <u>(60)</u> | <u>(179)</u> | <u>-</u> | <u>(301)</u> | <u>(74)</u> | <u>(614)</u> |

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Note 23 – Borrowings

This note provides details of the short and long term borrowings undertaken by the Council and shown on the Balance Sheet on page 69. These values are reflected at amortised cost

Total Outstanding at:

| | 31 March 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Source of Loan | | |
| Repayable within 12 months | | |
| Public Works Loan Board | 10,000 | 6,000 |
| Other Short Term Borrowings | - | 10,000 |
| Revenue Advances: | | |
| -Common Good & Trust Funds | 390 | 370 |
| -Central Scotland Valuation Joint Board | 859 | 1,225 |
| -Forth Valley Criminal Justice Authority | 2,368 | 561 |
| Accrued Interest on Borrowing | <u>1,435</u> | <u>1,387</u> |
| | 15,052 | 19,543 |
| | ————— | ————— |
| Repayable after 12 months | | |
| Public Works Loan Board | 81,702 | 78,646 |
| Market Loans | <u>24,019</u> | <u>24,012</u> |
| | 105,721 | 102,658 |
| | ————— | ————— |

An analysis of Long-Term Loans by Maturity is shown in Note 44.

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Note 24 – Other Long Term Liabilities

| | 31 March 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| | £000 | £000 |
| PFI & Finance Liabilities (see note (a) below) | 45,005 | 43,715 |
| Pension Liabilities (see note 42) | 89,839 | 135,470 |
| Other Long-Term Liabilities (see note (b) below) | 630 | 623 |
| | 135,474 | 179,808 |

(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 38, page 156 in the Accounts provides more detail in respect of future payments that are due under the terms of the contract. The movements in the balance sheet values are detailed below:

| | PFI | Street | Total | PFI | Street | Total |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2013/14 | 2013/14 | 2013/14 | 2014/15 | 2014/15 | 2014/15 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April | 46,931 | 545 | 47,476 | 45,755 | 493 | 46,248 |
| Finance Lease creditor – repayment in one year | (1,176) | (52) | (1,228) | (1,187) | (56) | (1,243) |
| Balance at 31 March | 45,755 | 493 | 46,248 | 44,568 | 437 | 45,005 |
| Ageing: | | | | | | |
| Liabilities due over more than one year | 44,568 | 437 | 45,005 | 43,338 | 377 | 43,715 |
| Liabilities due within one year | 1,187 | 56 | 1,243 | 1,230 | 60 | 1,290 |

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Notes to the Financial Statements

Note 24 – Other Long Term Liabilities (continued)

(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. The reinstatement bond will additionally contribute to the planned restoration of the former open cast coal site.

| | 31 March 2014 | 31 March 2015 |
|-------------------------|----------------------|----------------------|
| | £000 | £000 |
| Developer Contributions | 37 | 26 |
| Reinstatement Bond | 593 | 597 |
| | <hr/> | <hr/> |
| | 630 | 623 |
| | <hr/> | <hr/> |

Note 25 – 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:

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Note 25 – Financial Instruments (continued)
Table 1: Financial Instrument Balances

| | Long-Term | | Current | |
|--|------------------|------------------|-----------------|-----------------|
| | 31 March 2014 | 31 March 2015 | 31 March 2014 | 31 March 2015 |
| | £000 | £000 | £000 | £000 |
| Financial Liabilities | | | | |
| Financial liabilities at amortised cost* | (105,721) | (103,281) | (15,052) | (19,543) |
| PFI & Finance leases facilities | (45,005) | (43,715) | (1,243) | (1,290) |
| Creditors | - | - | (23,286) | (21,924) |
| Total Financial Liabilities | (150,726) | (146,996) | (39,581) | (42,757) |
| | | | | |
| | Long-Term | | Current | |
| | 31 March 2014 | 31 March 2015 | 31 March 2014 | 31 March 2015 |
| | £000 | £000 | £000 | £000 |
| Financial Assets | | | | |
| Loans & Receivables | 5,471 | 7,883 | 18,362 | 21,077 |
| Debtors | 2 | 2 | 15,633 | 15,764 |
| Total Financial Assets | 5,473 | 7,885 | 33,995 | 36,841 |

*£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.

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Notes to the Financial Statements

Note 25 – Financial Instruments (continued)

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.

2013/14 Restatement

The Debtors figure for 2013/14 has been restated to reflect the inclusion of a debtor for Statutory Penalties as per Note 19 Short-Term Debtors and Note 46 Prior Period Adjustments.

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Notes to the Financial Statements

Note 25 – Financial Instruments (continued)

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

| | 2013/14 | | | 2014/15 | | |
|---|--|---|----------------|--|---|----------------|
| | 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 | (6,009) | - | (6,009) | (5,781) | - | (5,781) |
| Interest on PFI and finance lease liabilities | (3,550) | - | (3,550) | (3,520) | - | (3,520) |
| Total expense in Surplus or Deficit on the Provision of Services | (9,559) | - | (9,559) | (9,301) | - | (9,301) |
| Interest income | - | 456 | 456 | - | 477 | 477 |
| Impaired financial assets | - | (769) | (769) | - | 250 | 250 |
| Total income in Surplus or Deficit on the Provision of Services | - | (313) | (313) | - | 727 | 727 |
| Net gain/(loss) for the year | (9,559) | (313) | (9,872) | (9,301) | 727 | (8,574) |

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Notes to the Financial Statements

Note 25 – Financial Instruments (continued)

Fair Value of Assets and Liabilities Carried at Amortised Costs

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is described 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 2015, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 126/15;
- 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.

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 25 – Financial Instruments (continued)

Table 3: Fair Values of Assets and Liabilities

The Fair values are calculated as follows:-

| | 31 March 2014 | | 31 March 2015 | |
|------------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| PWLB – Maturity | 93,059 | 113,627 | 85,918 | 125,716 |
| PWLB – Annuity | 39 | 58 | 38 | 62 |
| LOBOs | 24,019 | 23,766 | 24,012 | 30,536 |
| Other Loans | - | - | 10,036 | 10,045 |
| Financial Liabilities | <u>117,117</u> | <u>137,451</u> | <u>120,004</u> | <u>166,359</u> |

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 at above the current market rates increases the amount the Council would have to pay if the lender agreed to the early repayment of the loans.

| | 31 March 2014 | | 31 March 2015 | |
|---|-------------------------|----------------------|-------------------------|----------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Cash | 29 | 29 | 24 | 24 |
| Long Term Investments | 5,471 | 5,927 | 7,883 | 8,895 |
| Deposit with Banks and Building Societies | 18,333 | 18,333 | 20,205 | 20,205 |
| Financial Assets | <u>23,833</u> | <u>24,289</u> | <u>28,112</u> | <u>29,124</u> |

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Notes to the Financial Statements

Note 26 – Unusable Reserves

| | 31 March 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Revaluation Reserve | 45,057 | 88,818 |
| Capital Adjustment Account | 109,069 | 113,845 |
| Financial Instruments Adjustment Account | (3,376) | (3,167) |
| Pensions Reserve | (89,839) | (135,470) |
| Accumulating Compensated Absences Adjustment Account | (2,092) | (2,217) |
| Total Unusable Reserves | 58,819 | 61,809 |

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.

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 26 – Unusable Reserves (continued)
Revaluation Reserve (continued)

| | 31 March 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Balance at 1 April | 48,500 | 45,057 |
| Upward revaluation of non-current assets | 784 | 51,446 |
| Downward revaluation of non-current assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (2,931) | (5,936) |
| Difference between fair value depreciation and historical cost depreciation | (924) | (1,431) |
| Accumulated (losses) on assets sold or scrapped written off to the Capital Adjustment Account | (372) | (318) |
| Balance 31 March | 45,057 | 88,818 |

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 charges 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.

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

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 26 – Unusable Reserves (continued)

Capital Adjustment Account (continued)

| | 31 March 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Balance at 1 April | 101,621 | 109,069 |
| <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 | (14,373) | (22,173) |
| • Amortisation of intangible assets | (178) | (190) |
| • Revenue expenditure funded from capital under statute | - | (865) |
| • Amounts of non current assets written off on disposal or sale as part of the <ul style="list-style-type: none"> ▪ gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (2,424) | (1,270) |
| • Amounts written out of the Revaluation Reserve on assets sold or scrapped | 372 | 318 |
| | (16,603) | (24,180) |
| <u>Capital financing applied in the year:</u> | | |
| • Use of the Capital Receipts Reserve to finance new capital expenditure | 781 | 420 |
| • Capital grants and contributions credited to the Comprehensive Income and <ul style="list-style-type: none"> ▪ Expenditure Statement that have been applied to capital financing | 7,649 | 12,574 |
| • Application of grants to capital financing from the Capital Grants Unapplied Account | 472 | - |
| • Statutory provision for the financing of capital investment charged against the <ul style="list-style-type: none"> ▪ General Fund and HRA balances | 7,602 | 8,162 |
| • Capital expenditure charged against the General Fund and HRA balances | 6,623 | 6,369 |
| • Depreciation on Revaluation Reserve | 924 | 1,431 |
| | 24,051 | 28,956 |
| Balance at 31 March | 109,069 | 113,845 |

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 26 – Unusable Reserves (continued)

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 of 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 2015 will be charged to the General Fund over the next 39 years.

| | 31 March 2014 | 31 March 2015 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Balance at 1 April | (3,586) | (3,376) |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 204 | 203 |
| Amount by which finance costs charges to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 6 | 6 |
| Balance at 31 March | (3,376) | (3,167) |

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Notes to the Financial Statements

Note 26 – Unusable Reserves (continued)

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 cost. 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 2014 | 31 March 2015 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Balance at 1 April | (78,887) | (89,839) |
| Return on Pension Assets | 4,602 | 19,290 |
| Actuarial Gains or Losses on Pension Assets and Liabilities | (10,962) | (59,369) |
| Reversal of items debited or credited to CIES | (12,874) | (14,336) |
| Employers Pensions contribution and direct payments to pensioners in the year | 8,282 | 8,784 |
| Balance at 31 March | (89,839) | (135,470) |

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Notes to the Financial Statements

Note 26 – Unusable Reserves (continued)

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 2014 | 31 March 2015 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Balance at 1 April | (2,073) | (2,092) |
| Settlement or cancellation of accrual made at the end of the preceding year | 2,073 | 2,092 |
| Amounts accrued at the end of the current year | (2,092) | (2,217) |
| 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 | (19) | (125) |
| Balance at 31 March | (2,092) | (2,217) |

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Note 27 – Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| | 31 March 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| | Restated | |
| | £000 | £000 |
| Interest Received | 639 | 575 |
| Interest Paid | (12,968) | (12,126) |
| Net surplus or deficit on the provision of services* | (3,139) | (4,810) |

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

| | 31 March 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| | Restated | |
| | £000 | £000 |
| Depreciation | 12,393 | 13,423 |
| Impairment and downward valuations | 1,740 | 8,630 |
| Amortisation | 178 | 190 |
| Impairment losses on Investments | 769 | 1,029 |
| Adjustment for effective interest rates | 5 | (6) |
| Decrease in provision for doubtful debts, loans and advances | 53 | - |
| Increase in Interest Creditors | 43 | 48 |
| Increase/ (decrease) in Creditors | 979 | (2,458) |
| (Increase)/ decrease in Debtors* | (4,312) | (179) |
| (Increase) in Inventories | (60) | - |
| Pension Liability | 4,592 | 5,552 |
| Contributions to/(from) Provisions* | (309) | 567 |
| Carrying amount of non-current assets sold | 2,424 | 1,270 |
| Carrying amount of short and long term investments sold | - | 10,000 |
| | <u>18,495</u> | <u>38,066</u> |

*The amounts for 2013/14 have been restated to reflect a prior year adjustment for Council Tax Statutory Penalties. Further details can be found in Note 46.

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Notes to the Financial Statements

Note 27 – Cash Flow Statement – Operating Activities (continued)

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

| | 31 March 2014 | 31 March 2015 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Capital grants credited to surplus or deficit on the provision of services | (8,121) | (12,734) |
| Proceeds from the sale of short and long term investments | - | (10,000) |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | (1,064) | (1,215) |
| | <u>(9,185)</u> | <u>(23,949)</u> |

Note 28 – Cash Flow Statement – Investing Activities

| | 31 March 2014 | 31 March 2015 |
|--|------------------------|----------------------|
| | £000 | £000 |
| Purchase of property, plant and equipment, investment property and intangible assets | (23,394) | (18,503) |
| Other Capital Payments | 18 | (865) |
| Purchase of investments and associates in joint ventures | - | (2,976) |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 1,064 | 1,215 |
| Proceeds from short-term investments | - | 10,000 |
| Capital Grants received | 7338 | 13,407 |
| Net cash flows from investing activities | <u>(14,974)</u> | <u>2,278</u> |

CLACKMANNANSHIRE COUNCIL
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Note 29 – Cash Flow Statement – Financing Activities

| | 31 March 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Cash receipts of short and long-term borrowing | 1,917 | 31,746 |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (1,228) | (1,243) |
| Repayments of short and long-term borrowing | (4,005) | (30,221) |
| Net cash from financing activities | (3,316) | 282 |

Note 30 - Trading Operations

From 1 April 2015 Property Contracts commenced recharging on a cost only basis and is therefore no longer deemed to be operating in a commercial environment as a trading operation. In order to support disclosures elsewhere in the Financial Statements, prior years' figures will continue to be disclosed until the rolling three year period required by Section 10 of the Local Government in Scotland Act 2003 expires.

| | | 2012/13 | 2013/14 | 2014/15 |
|--|-------------|----------------|----------------|----------------|
| | | £000 | £000 | £000 |
| The Council ran Property Contract service which carried out work primarily for housing services. The work ranged from day to day repairs to Council houses to major capital schemes such as kitchen and bathroom replacements. The trading objective was to achieve an annual budgeted surplus. Cumulative Surplus over the last three financial years: £51k | Turnover | 6,996 | 7,289 | - |
| | Expenditure | (6,834) | (7,400) | - |
| Net Surplus/(Deficit) on Trading Operations | | 162 | (111) | - |

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 30 - Trading Operations (continued)

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).

| | 2013/14 | 2014/15 |
|--|----------------|----------------|
| | £000 | £000 |
| Net Surplus/(Deficit) on trading operations | (111) | - |
| (Recharge)/Income to Cost of Services | 45 | - |
| | (66) | - |
| Net Surplus/(Deficit) credited/(debited) to Other Operating Expenditure | (66) | - |

Note 31 - 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 £0.177m (2013/14: £0.134m). This income is included in the Comprehensive Income and Expenditure Statement.

Note 32 – 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 2014/15 is Clackmannanshire Council 50% (2013/14: 50%), NHS Forth Valley 50% (2013/14: 50%). 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.

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Notes to the Financial Statements

Note 32 – Pooled Budgets (continued)

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

| | 2013/14 | 2014/15 |
|--|----------------|----------------|
| | £000 | £000 |
| Funding provided to the pooled budget: | | |
| Clackmannanshire Council | 594 | 609 |
| NHS Forth Valley | 586 | 542 |
| | 1,180 | 1,151 |
| Expenditure met from the pooled budget: | | |
| Clackmannanshire Council | (552) | (618) |
| NHS Forth Valley | (459) | (518) |
| | (1,011) | (1,136) |
| | | |
| Net Surplus arising on the pooled budget during the year | 169 | 15 |
| | | |
| Clackmannanshire Council share of 50% (2013/14 50%) of the net Surplus/(Deficit) arising on the pooled budget | 85 | 8 |
| | — | — |

Note 33 – External Audit Costs

Fees payable to Audit Scotland within the year for external audit services carried out by the appointed auditor amounted to £0.203m (2013/14: £0.200m). These costs are shown within the Corporate and Democratic Core line in the Comprehensive Income and Expenditure Statement.

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 34 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure statement in 2014/15:

| | 31 March 2014 | 31 March 2015 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Credited to Taxation and Non-Specific Grant Income | | |
| Council Tax | 18,113 | 18,341 |
| Grant Allocation for Council Tax Reduction Scheme | 3,498 | 3,526 |
| General Government Grant | 78,911 | 79,795 |
| Non-Domestic Rate Redistribution | 11,872 | 12,918 |
| Non-Domestic Rate Income retained by Authority (BRIS) | - | (18) |
| Capital Grants & Contributions | 1,755 | 5,228 |
| Total | 114,149 | 119,790 |
| Credited to Services | | |
| DWP grant for benefits | 18,523 | 18,757 |
| Criminal Justice | 1,447 | 1,410 |
| Other Revenue Grants (including EMA's and Home Insulation Scheme) | 2,509 | 4,791 |
| Other Capital Grants and Contributions | 6,366 | 7,346 |
| Total | 28,845 | 32,304 |

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Note 35 – 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 2014/15 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 34 (Grant Income);
- b) Payments to the Falkirk Council Superannuation Fund and Scottish Government (Teachers' Pensions) are shown in Notes 41 and 42 (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.

Other significant related party transactions not included elsewhere within the Financial Statements are:

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 2014/15 was £107,560 (2013/14: £114,148).

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Note 36 – 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 2014 | 31 March 2015 |
|---|----------------------|----------------------|
| | Restated | |
| | £000 | £000 |
| Opening Capital Financing Requirement* | 166,147 | 166,420 |
| Capital Investment | | |
| Property Plant & Equipment | 23,173 | 18,377 |
| Intangible Assets | 178 | 121 |
| Investment Properties | 49 | 5 |
| Investment in Social Housing Project | - | 2,976 |
| Revenue Expenditure Funded from Capital Under Statute | - | 865 |
| Sources of finance | | |
| Capital receipts | (781) | (420) |
| Government grants and other contributions | (8,121) | (12,574) |
| Sums set aside from revenue: | | |
| • Loans Fund Principal Direct revenue contributions | (6,623) | (6,369) |
| • Repayment of Finance Lease Capital Debt | (1,228) | (1,243) |
| • Loans Fund Principal | (6,374) | (6,919) |
| Closing Capital Financing Requirement | 166,420 | 161,239 |
| Increase/(decrease) in CFR (unsupported by government financial assistance) | 273 | (5,181) |

*The Opening Capital Financing Requirement for 2013/14 has been restated to include the liability for PPP contracts.

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Note 37 – 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 2014 | 31 March 2015 |
|-----------------------|----------------------|----------------------|
| | £000 | £000 |
| Infrastructure Assets | <u>434</u> | <u>408</u> |

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 2014 | 31 March 2015 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Finance lease liabilities (net present value of minimum lease payments): | | |
| • | Current | 56 |
| | 60 | |
| • | Non-current | 437 |
| | 377 | |
| Finance costs payable in future years | 159 | 122 |
| Minimum lease payments | <u>652</u> | <u>559</u> |

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Note 37 – Finance Leases (continued)

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|-------------------------------|----------------------|----------------------------------|----------------------|
| | 31 March 2014 | 31 March 2015 | 31 March 2014 | 31 March 2015 |
| | £000 | £000 | £000 | £000 |
| No later than one year | 37 | 33 | 56 | 60 |
| Later than one year not later than five years | 103 | 82 | 270 | 290 |
| Later than five years | 19 | 7 | 167 | 87 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 159 | 122 | 493 | 437 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

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 2014 | 31 March 2015 |
|---|----------------------|----------------------|
| | £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 | 276 | 92 |
| | <hr/> | <hr/> |
| | 1,195 | 1,011 |
| | <hr/> | <hr/> |

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Note 37 – Leases (continued)

Operating Leases (continued)

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

| | 2013/14 | 2014/15 |
|------------------------|----------------|----------------|
| | £000 | £000 |
| Minimum lease payments | 184 | 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 38 – Private Finance Initiatives and Similar Contracts

Secondary Schools PFI Scheme

2014/15 was the seventh year of a 30 year PFI contract for the construction, operation and maintenance of our three secondary schools in Clackmannanshire, namely Alloa, Alva and Lornshill Academies. The contract specifies the number of days and times that the schools are open. This includes an element of leisure provision in the evenings and weekends. The contract specifies minimum standards for the provision of the serviced accommodation to be provided by the contractor, with reductions from the fee payable being made if the schools, or rooms, are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant needed to operate the schools. At the end of the contract the schools will be transferred to the Council for nil consideration.

Property, Plant and Equipment

The schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

The Council makes an agreed payment each year which is increased annually 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 2015, excluding any estimate of availability/performance deductions are as follows:

| | Payment for Services £000 | Reimbursement of Capital Expenditure £000 | Interest £000 | Total £000 |
|-------------------------------|--|--|--------------------------|-----------------------|
| Payable within 1 year | 2,881 | 1,230 | 3,457 | 7,568 |
| Payable within 2 to 5 years | 14,060 | 4,276 | 13,339 | 31,675 |
| Payable within 6 to 10 years | 20,223 | 6,704 | 16,100 | 43,027 |
| Payable within 11 to 15 years | 25,064 | 7,968 | 14,276 | 47,308 |
| Payable within 16 to 20 years | 25,569 | 12,937 | 13,645 | 52,151 |
| Payable within 21 to 25 years | 26,706 | 11,453 | 6,538 | 44,697 |
| Total | 114,503 | 44,568 | 67,355 | 226,426 |

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Note 38 – Private Finance Initiatives and Similar Contracts (continued)

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:

| | 2013/14 | 2014/15 |
|--|----------------|----------------|
| | £000 | £000 |
| Balance outstanding at start of year | 46,931 | 45,755 |
| Payments during the year | (1,176) | (1,187) |
| Balance outstanding at year-end | 45,755 | 44,568 |

Note 39 - Impairment Losses

The Council appointed the District Valuer to complete its statutory five yearly revaluation of assets as at 1 April 2014. This has resulted in a total impairment of £19.186m on non-current assets (2013/14: £4.346m), and a total reversal of previous impairments of £10.807m (2013/14: £nil). The effect on the carrying value of each category of assets and the Comprehensive Income and Expenditure Statement for 2014/15 is as follows:

| | Impairments | Reversal | Net Effect |
|--------------------------|--------------------|-----------------------|-------------------|
| | £000 | of Impairments | on CIES |
| | £000 | £000 | £000 |
| Council Dwellings | 12,323 | (5,187) | 7,136 |
| Other Land and Buildings | 6,664 | (5,620) | 1,044 |
| Surplus Assets | <u>199</u> | <u>-</u> | <u>199</u> |
| Total | 19,186 | (10,807) | 8,379 |

All Impairments and reversals of Impairments are reflected in the relevant revaluation lines for both Cost and Accumulated Depreciation in Note 12.

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Note 40 - Termination Benefits

The Council terminated the contracts of 78 employees (2013/14: 27) through voluntary severance during 2014/15, incurring liabilities of £2.038m (2013/14: £0.351m). This includes provision in the accounts of costs relating to employees whose voluntary severance was approved during the 2014/15 financial year but who are not due to leave until the 2015/16 financial year. The Remuneration Report on page 58 provides details of the number of exit packages and total cost per band.

Note 41 - 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 2014/15 the Council paid £2.861m to Teachers' Pensions in respect of teachers retirement benefits, representing 14.9% of pensionable pay. The figures for 2013/14 were £2.754m and 14.9%.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31st March 2015, the Council's own contribution equate to approximately 0.8% (2013/14: 0.8%).

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Note 42 - 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 41 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 Comprehensive Income and Expenditure Statement (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.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of voluntary severance. 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.

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Note 42 - Defined Benefit Pension Schemes (continued)

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

| | Local Government Pension Scheme | |
|---|--|----------------|
| | 2013/14 | 2014/15 |
| | £000 | £000 |
| Comprehensive Income and Expenditure Statement (CIES) | | |
| Cost of Services: | | |
| • Current service cost | 8,505 | 10,127 |
| • Past service costs | 797 | 313 |
| • Financing and Investment Income and Expenditure: | | |
| • Interest expense – defined benefit obligation | 12,397 | 12,973 |
| • Interest income on scheme assets | <u>(8,825)</u> | <u>(9,077)</u> |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 12,874 | 14,336 |
| Other Post Employment Benefit Charged to the CIES | | |
| Re-measurement of the net defined benefit liability comprising: | | |
| • Return on pension fund assets (excluding interest income above) | (4,602) | (19,290) |
| • Actuarial losses arising on changes in demographic assumptions | - | (2,853) |
| • Actuarial losses arising on changes in financial assumptions | 10,757 | 33,875 |
| • Other experience losses | 205 | 28,347 |
| Total Post Employment Benefit Charged to the CIES | 19,234 | 54,415 |
| Actuarial (gains) or losses on pension fund assets and liabilities | 6,360 | 40,079 |

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Notes to the Financial Statements

Note 42 - Defined Benefit Pension Schemes (continued)

Movement in Reserves Statement (MIRS):

- 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 **(12,874)** **(14,336)**

Actual amount charged against the General Fund Balance for pensions in the year:

- Employers' contributions payable to the Pension Fund **8,282** **8,784**

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:

| Movement in Reserves Statement (MIRS) | 31 March 2014 £000 | 31 March 2015 £000 |
|--|-------------------------------|-------------------------------|
| Present value of the defined benefit obligation (1) | (300,028) | (376,155) |
| Fair value of pension fund assets | 210,189 | 240,685 |
| | <hr/> | <hr/> |
| Net Liability arising from Defined Benefit Obligation | (89,839) | (135,470) |
| (1) | | |
| Unfunded liabilities included in the figure for present Value of liabilities | 18,781 | 18,244 |

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

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Note 42 - Defined Benefit Pension Schemes (continued)

| | Local Government Pension Scheme & Discretionary Benefits | |
|--|---|-------------------------|
| | 2013/14 | 2014/15 |
| | £000 | £000 |
| Opening Balance at 1 April | (274,351) | (300,028) |
| Current service cost | (8,505) | (10,127) |
| Interest cost | (12,397) | (12,973) |
| Contributions by Pension Fund participants | (2,125) | (2,271) |
| Re-measurement gains/(losses) | | |
| - | | Actuarial gains from |
| change in demographic assumptions | | - 2,853 |
| - | | Actuarial (losses) from |
| change in financial assumptions | (10,757) | (33,875) |
| - | | Actuarial (losses) from |
| other experiences | (205) | (28,347) |
| Past service costs | (797) | (313) |
| Benefits paid | 9,109 | 8,926 |
| Closing value at 31 March | (300,028) | (376,155) |

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Note 42 - Defined Benefit Pension Schemes (continued)

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 | |
|---|--|-----------------------|
| | 31 March 2014 | 31 March 2015 |
| | £000 | £000 |
| Opening fair value of pension fund assets | 195,464 | 210,189 |
| Interest income | 8,825 | 9,077 |
| Return on pension assets (excluding amounts included in net interest) | 4,602 | 19,290 |
| Contributions from employers | 8,282 | 8,784 |
| Contributions by employees in the scheme | 2,125 | 2,271 |
| Benefits paid | <u>(9,109)</u> | <u>(8,926)</u> |
| Closing fair value of pension fund assets | <u>210,189</u> | <u>240,685</u> |

Analysis of Pension Fund's Assets

Clackmannanshire Council's share of the Pension Fund's assets at 31 March 2015 comprised:

| | 31 March 2014 | 31 March 2015 |
|---------------------------------------|----------------------|----------------------|
| | £000 | £000 |
| Equity instruments (by industry type) | | |
| Consumer | 21,103 | 23,293 |
| Manufacturing | 12,436 | 14,346 |
| Energy & Utilities | 10,911 | 9,486 |
| Financial institutions | 17,550 | 17,584 |
| Health & Care | 13,750 | 12,489 |
| Information & Technology | 6,318 | 9,714 |
| Other | <u>5,388</u> | <u>4,148</u> |
| Sub Total Equity | 87,456 | 91,060 |

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Note 42 - Defined Benefit Pension Schemes (continued)

| | | |
|----------------------------------|-----------------------|-----------------------|
| Property (by type) | | |
| - UK | 13,955 | 17,301 |
| - Overseas | <u>1,087</u> | <u>846</u> |
| Sub Total Property | 15,042 | 18,147 |
| Private Equity – UK | 11,173 | 13,939 |
| Other Investment funds | | |
| - Equities | 46,637 | 51,752 |
| - Bonds | 17,843 | 21,370 |
| - Infrastructure | 4,262 | 6,055 |
| - Other | <u>21,518</u> | <u>28,140</u> |
| Sub Total Other Investment Funds | 90,260 | 107,317 |
| Derivatives | - | 10 |
| Cash and cash equivalents | <u>6,258</u> | <u>10,212</u> |
| Total Assets | <u>210,189</u> | <u>240,685</u> |

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Note 42 - Defined Benefit Pension Schemes (continued)

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 2014. This valuation is rolled forward to 31 March 2015 and updated annually for significant assumptions. A full valuation is carried out every 3 years with the next one due to be completed during 2016/17. 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 | 2013/14 | 2014/15 |
|--|----------------|----------------|
| Long-term expected rate of return on assets in the fund | | |
| Equity investments | 4.3% | 3.2% |
| Bonds | 4.3% | 3.2% |
| Property | 4.3% | 3.2% |
| Cash | 4.3% | 3.2% |
| Mortality assumptions | | |
| Longevity at 65 for current pensioners (years): | | |
| Men | 23.0 years | 22.1 years |
| Women | 25.8 years | 23.8 years |
| Longevity at 65 for future pensioners (years): | | |
| Men | 24.9 years | 24.3 years |
| Women | 27.7 years | 26.3 years |

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Note 42 - Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities (continued)

| | 2013/14 | 2014/15 |
|---------------------------------------|----------------|----------------|
| Rate of inflation | 2.8% | 2.4% |
| Rate of increase in salaries | 5.1% | 3.8% |
| Rate of increase in pensions | 2.8% | 2.4% |
| Rate for discounting Fund liabilities | 4.3% | 3.2% |

LGPS liabilities are sensitive to the actuarial assumptions set out in the table below. 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.

Changes in Assumptions at 31 March 2015

| | Approx % Increase to Employer | Approx Monetary Amount (£000) |
|--|--|--|
| 0.5% Decrease in Real Discount Rate | 10% | 38,880 |
| 1 year increase in Member Life Expectancy | 3% | 11,285 |
| 0.5% increase in the Salary Increase Rate | 4% | 14,694 |
| 0.5% increase in the Pension Increase Rate | 6% | 23,221 |

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: 2015/16 (21%) 2016/17 (21%) and 2017/18 (21.5%). The next triennial valuation is due to be completed on 31st March 2017 where these rates may be requires 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 2016 is £7.739m.

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Note 43 – Contingent Liabilities

Equal Pay

The Council has received claims of historic pay inequality from specific groups of staff, particularly in catering, cleaning and homecare, supervisory assistants and classroom assistants. Note 22 included 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 of an unknown amount and timing which is presented by this contingent liability.

Insurance

Prior to local government reorganisation in 1996, Central Regional Council and Clackmannan District Council, entered into a solvent run-off arrangements 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 22, 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. The timing and amount of any further liability in relation to MMI claims is unknown.

ThinkWhere Ltd

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. The amount of the liability and timing of when this would occur are unknown.

Damages Claim

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 22), 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 as any further liability is unknown in quantity and timing.

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Note 43 – Contingent Liabilities (continued)

PPP

The Council has a potential dispute with their PPP Contractor in regard to sums withheld by the Council, from the Unitary Charge payments, over the past 4-5 years. The Council recognises the risk associated with potential legal proceedings being raised by the Contractor in this regard, but is unable to accurately calculate the risk value at this time.

Note 44 – 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 2014/15 was approved by Full Council on 15 May 2014 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.

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Note 44 – Nature and Extent of Risks Arising from Financial Instruments (continued)

1. Credit Risk (continued)

The Authority's maximum exposure to credit risk, in relation to its investments in banks and building societies of £20.205m, 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 2015 that this was likely to crystallise.

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

Debtors

The Council generally allows credit of 14 days for customers, such that £3.104m is past its due date for payment. The past due amount can be analysed by age as follows:

| | 31 March 2014 | 31 March 2015 |
|------------------------|----------------------|----------------------|
| | £000 | £000 |
| Less than three months | 1,531 | 2,063 |
| Three to six months | 137 | 84 |
| Six months to one year | 186 | 347 |
| More than one year | <u>569</u> | <u>610</u> |
| Total | <u>2,423</u> | <u>3,104</u> |

During the year a sum of £91k was charged to the Comprehensive Income and Expenditure statement, increasing the provision against current debts to £494k.

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.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

Note 44 – Nature and Extent of Risks Arising from Financial Instruments (continued)

2. Liquidity Risk (continued)

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 2014 | 31 March 2015 |
|-----------------------------|-----------------------|-----------------------|
| | £000 | £000 |
| Public Works Loans Board | 91,702 | 84,646 |
| Market Debt | 24,019 | 24,012 |
| Other Short Term Borrowings | - | <u>10,000</u> |
| Total | <u>115,721</u> | <u>118,658</u> |
| Less than 1 year | 10,000 | 16,000 |
| Between 1 and 2 years | 6,000 | 6,200 |
| Between 2 and 5 years | 11,200 | 5,000 |
| Between 5 and 10 years | 824 | 4,182 |
| More than 10 years | <u>87,697</u> | <u>87,276</u> |
| Total | <u>115,721</u> | <u>118,658</u> |

In the more than 10 years category there are £23.5m of LOBOs (Lender Option Borrower Option loans). Of this, £18.5m are variable rate loans where 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. The remaining £5m of these are fixed rate loans.

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 44 – Nature and Extent of Risks Arising from Financial Instruments (continued)

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 the Balance Sheet as assets are held at amortised cost, but will impact the disclosure note for fair value; 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 are 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.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

Note 44 – Nature and Extent of Risks Arising from Financial Instruments (continued)

3. Market Risk (continued)

Interest Rate Risk (continued)

According to this assessment strategy, at 31 March 2015 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 | <u>(15)</u> |
| Impact on Comprehensive Income and Expenditure statement | <u>220</u> |
| | |
| 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) | <u>22,288</u> |

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

Price Risk

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

Foreign Exchange Risk

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

Note 45 – 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.

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15**

Notes to the Financial Statements

Note 45 – Trust Funds (continued)

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

| | 2013/14 | 2014/15 |
|---|----------------|----------------|
| | £000 | £000 |
| Clackmannan District Council Charitable Trust | 11 | 5 |
| Alloa Day Home Trust | 174 | - |
| Clackmannanshire Educational Trust | 30 | 28 |
| Tillicoultry Old Age Pensioners Outing Fund | 3 | 3 |
| Old Folks Welfare Fund | 8 | 7 |
| | <hr/> | <hr/> |
| | 226 | 43 |
| | <hr/> | <hr/> |

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

| | 2013/14 | 2014/15 |
|---|----------------|----------------|
| | £000 | £000 |
| Total Value of Trusts and Endowments | 163 | 321 |
| | <hr/> | <hr/> |
| Total Value of all Trusts and Endowments | 389 | 364 |
| | <hr/> | <hr/> |

2014/15 Changes

For 2014/15 the balances held by the Alloa Day Home Trust have been included within the 'Total Value of Trusts and Endowments' where previously they had been included within the list of Sundry Trust Funds where the Council operates as sole Trustee. This change is due to the appointment in the year of an independent member to the board of Trustees of the Alloa Day Home Trust making the Council no longer the sole Trustee.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

Notes to the Financial Statements

Note 46 – Prior Period Adjustments

Debtor balances for Statutory costs relating to Council Tax recovery, and their related provision for bad debts, had previously not been recognised in the Balance Sheet and have now been included. The effect on the closing 2013/14 Balance Sheet is to increase Short Term Debtors by £276k and Revenue Reserves by £276k.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a Balance Sheet at the beginning of the preceding period when an authority makes a retrospective restatement. However, in this case the prior period error did not impact on the opening Balance Sheet for 2013/14. The error took place at year-end (31 March 2014) and therefore impacted on the reported General Fund Balance, which has increased by the £0.276m. The short-term debtors balance was also understated by the same amount.

The changes to relevant areas of the Financial Statements are summarised below:

| | General Fund | | | Total Reserves | | |
|--|-------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|
| | 2013/14 Audited £000 | Statutory Costs £000 | 2013/14 Restated £000 | 2013/14 Audited £000 | Statutory Costs £000 | 2013/14 Restated £000 |
| Movement in Reserves Statement | | | | | | |
| Balance at 31 March 2013 carried forward | 14,004 | | 14,004 | 90,791 | | 90,791 |
| Surplus/ (deficit) on Provision of Services | (1,971) | 276 | (1,695) | (3,415) | 276 | (3,139) |
| Other Comprehensive Income and Expenditure | | | - | (8,507) | | (8,507) |
| Total Comprehensive Income and Expenditure | (1,971) | 276 | (1,695) | (11,922) | 276 | (11,646) |
| Adjustments between accounting basis and funding basis under regulations | (425) | | (425) | | | - |
| Net increase/ (decrease) before Transfer to Earmarked Reserves | (2,396) | 276 | (2,120) | (11,922) | 276 | (11,646) |
| Transfers to/from Earmarked Reserves | 409 | | 409 | | | - |
| Increase/ (decrease) in 2013/14 | <u>(1,987)</u> | <u>276</u> | <u>(1,711)</u> | <u>(11,922)</u> | <u>276</u> | <u>(11,646)</u> |
| Balance at 31 March 2014 carried forward | 12,017 | 276 | 12,293 | 78,869 | 276 | 79,145 |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Financial Statements

Note 46 – Prior Period Adjustments

| | 2013/14 Audited | | | Adjustment for Statutory Costs | | | 2013/14 Restated | | |
|---|------------------------|---------------------|-------------------|---------------------------------------|---------------------|---------------------|-------------------------|---------------------|-------------------|
| | Gross Expend | Gross Income | Net Expend | Gross Expend | Gross Income | Gross Expend | Gross Expend | Gross Income | Net Expend |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Central Services to the Public | 3,247 | (1,196) | <u>2,051</u> | - | (276) | <u>(276)</u> | 3,247 | (1,472) | <u>1,775</u> |
| Total Comprehensive Income & Expenditure | | | 11,922 | | | (276) | | | 11,646 |

| | 2013/14 Audited | Adjustment for Statutory Costs | 2013/14 Restated |
|-----------------|------------------------|---------------------------------------|-------------------------|
| | £000 | £000 | £000 |
| | Short-Term Debtors | 15,357 | 276 |
| Net Assets | 78,869 | 276 | 79,145 |
| Usable Reserves | 20,050 | 276 | 20,326 |
| Total Reserves | 78,869 | 276 | 79,145 |

| | 2013/14 Audited | Adjustment for Statutory Costs | 2013/14 Restated |
|--|--|---------------------------------------|-------------------------|
| | £000 | £000 | £000 |
| | Net surplus/(deficit) on provision of services | (3,415) | 276 |
| Adjustments to net surplus on the provision of services for non-cash movements | <u>18,771</u> | <u>(276)</u> | <u>18,495</u> |
| Net decrease in Cash and Cash Equivalents | (12,119) | - | (12,119) |

Note 11 – Amounts Reported for Resource Allocation decisions, Note 19 - Debtors and Note 27 – Cashflow Statement - Operating Activities have also been restated to reflect the above adjustments.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

HOUSING REVENUE ACCOUNT (HRA) Income and Expenditure Statement
for the year ended 31 March 2015

The HRA Income and Expenditure Statement shows the economic cost in the year providing housing services in accordance with generally accepted 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 costs. The increase or decrease in the year, on the basis of which rents are raised is shown in the Movement on the HRA Statement.

| 2013/14 | | 2014/15 | 2014/15 |
|-----------------|---|----------------|-----------------|
| £000 | | £000 | £000 |
| | Expenditure | | |
| 5,459 | Repairs and maintenance | 5,338 | |
| 3,362 | Supervision and management | 3,555 | |
| 6,277 | Depreciation and impairment of non-current assets | 13,428 | |
| 308 | Impairment of debtors | 299 | |
| 536 | Other Expenditure | 491 | |
| 15,942 | Total Expenditure | | 23,111 |
| | Income | | |
| (16,467) | Dwelling Rents | (17,182) | |
| (56) | Non-dwelling rents | (57) | |
| (16,523) | Total Income | | (17,239) |
| (581) | Net (Income)/Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement | | 5,872 |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

HOUSING REVENUE ACCOUNT (HRA) Income and Expenditure Statement
for the year ended 31 March 2015

| 2013/14 | | 2014/15 | 2014/15 |
|----------------|---|----------------|----------------|
| £000 | | £000 | £000 |
| 109 | HRA Services share of Corporate and Democratic Core | | 113 |
| (472) | Net (Income)/Expenditure of HRA Services | | 5,985 |
| | HRA Share of the operating income and expenditure included in The Comprehensive Income and Expenditure Statement | | |
| 1,171 | (Gain)/loss on sale of HRA non-current assets | 272 | |
| 1,574 | Interest payable and similar charges | 1,523 | |
| (74) | Interest and investment income | (43) | |
| 206 | Pensions interest cost and expected return on pension assets | 207 | |
| (961) | Capital grants and contributions receivable | (2,109) | (150) |
| 1,444 | Deficit/(Surplus) for the year on HRA Services | | 5,835 |

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15**

***HOUSING REVENUE ACCOUNT (HRA) Movement in Reserves Statement
for the year ended 31 March 2015***

| 2013/14 | | 2014/15 | 2014/15 |
|----------------|---|----------------|-----------------------|
| £000 | | £000 | £000 |
| (4,884) | Balance on the HRA at the end of the previous year | | (3,093) |
| 1,444 | (Surplus)/Deficit for the year on the HRA Income and Expenditure Statement | 5,835 | |
| <u>347</u> | Adjustments between accounting basis and funding basis under regulations (Note 1) | <u>(4,691)</u> | |
| 1,791 | Net decrease before transfers to/from Reserves | | 1,144 |
| (790) | Transfer from the General Fund Reserve | (468) | |
| 790 | Transfer to the Capital Adjustment Account | <u>468</u> | |
| <u>1,791</u> | (Increase)/Decrease in the year on HRA | | <u>1,144</u> |
| (3,093) | Balance on the HRA at the end of the current year | | <u>(1,949)</u> |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
HOUSING REVENUE ACCOUNT (HRA) Notes
for the year ended 31 March 2015

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

| 2013/14 | | 2014/15 |
|------------------------|---|----------------------------|
| £000 | | £000 |
| (1,171) | Gain/(loss) on sale and disposal of HRA non-current assets | (272) |
| 5,752 | Capital expenditure funded by the HRA | 5,889 |
| 961 | Capital Grants contributions that have been applied to capital financing | 2,109 |
| | Transfer to/from the Capital Adjustment Account: | |
| (6,277) | - Depreciation and Impairment | (13,428) |
| 1,365 | - Repayment of Debt | 1,372 |
| (293) | HRA share of contributions to/from the Pension Reserve | (363) |
| 10 | 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 | 2 |
| <hr/> 347 <hr/> | Total | <hr/> (4,691) <hr/> |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Housing Revenue Account

HRA 2. Housing Stock

The Council's housing stock at 31 March 2015 was 5,018 (4,993 at 31 March 2014) in the following categories:

| 2013/14 | | 2014/15 |
|----------------|-----------------|----------------|
| Number | | Number |
| 24 | One apartment | 25 |
| 1,333 | Two apartment | 1,353 |
| 2,245 | Three apartment | 2,252 |
| 1,252 | Four apartment | 1,250 |
| 138 | Five apartment | 137 |
| 1 | Six apartment | 1 |
| <hr/> | | <hr/> |
| 4,993 | Total | 5,018 |
| <hr/> | | <hr/> |

HRA 3. Rent Arrears

Rent Arrears increased during the year by £192,510 to a total of £1,223,601 (2013/14: £1,031,091). As a percentage of gross rental income, the arrears represent 7.1% (2013/14: 6.3%) which is equivalent to £244 (2013/14: £207) per house.

HRA 4. Impairment of Debtors

In 2014/15 an impairment of £935,407 (2013/14: £776,722) has been provided in the Balance Sheet for irrecoverable rents, an increase of £158,685 on the provision in 2013/14.

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15**

Notes to the Housing Revenue Account

HRA 2. Housing Stock (continued)

HRA 5. Transfer from General Fund

2014/15 has seen the final transfer of the Service Improvement Contract (SimCo) Reserve that has been earmarked in the General Fund Reserve. The remaining balance of £468,000 has been transferred to fund the final costs of the Hallpark project and to help contribute in general to the funding of the HRA Capital Programme.

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15**

Council Tax Income Account for the year ended 31 March 2015

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.

| 2013/14 | | 2014/15 |
|-----------------------------|---|-----------------------------|
| £000 | | £000 |
| (25,352) | Gross Council Tax levied and contributions in lieu | (25,649) |
| | Deduct: | |
| 3,068 | Other discounts and reductions | 3,039 |
| 459 | Allowance for impairment of debts | 746 |
| 25 | Adjustments to previous years Council Tax | (9) |
| 3,687 | Council Tax Reduction Scheme | 3,532 |
| <hr/> (18,113) <hr/> | Net Council Tax Income transferred to General Fund | <hr/> (18,341) <hr/> |

Notes to the Council Tax Income Account

CTI 1. Council Tax Properties and Council Tax Changes

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 2014/15 was £1,148. Council Tax Charges have been frozen at these levels since 2008/09 by the Scottish Government.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Notes to the Council Tax Income Account

CTI 1. Council Tax Properties and Council Tax Changes (continued)

| Valuation Band | Council Tax Charge £ |
|---------------------------|-------------------------------------|
| A (disabled relief) | 637.78 |
| A | 765.33 |
| B | 892.89 |
| C | 1,020.44 |
| D | 1,148.00 |
| E | 1403.11 |
| F | 1,658.22 |
| G | 1,913.33 |
| H | 2,296.00 |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

Notes to the Council Tax Income Account

CTI.2 Calculation of the Council Tax Charge Base 2014/15

| | A | A | B | C | D | E | F | G | H | Total |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|----------------|
| | (Disabled Relief) | | | | | | | | | |
| Total number of dwellings | - | 6,326 | 7,281 | 1,987 | 2,489 | 3,166 | 1,854 | 844 | 48 | 23,995 |
| Less exempt dwellings | - | (274) | (233) | (67) | (48) | (40) | (25) | (12) | (6) | (705) |
| Dwellings subject to disabled reduction | - | (25) | (37) | (17) | (22) | (45) | (13) | (8) | (3) | (170) |
| Dwellings subject to tax at this band due to disabled relief | 25 | 37 | 17 | 22 | 45 | 13 | 8 | 3 | - | 170 |
| Less adjustments for single discounts | (2) | (847) | (749) | (200) | (181) | (175) | (69) | (28) | (1) | (2,252) |
| Less adjustments for double discounts | - | (30) | (53) | (23) | (19) | (19) | (12) | (6) | - | (162) |
| Less adjustments for disregarded adults | - | (13) | (15) | (1) | (1) | (3) | (1) | (1) | - | (35) |
| Effective number of dwellings | 23 | 5,174 | 6,211 | 1,701 | 2,263 | 2,897 | 1,742 | 792 | 38 | 20,841 |
| 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 | 13 | 3,449 | 4,831 | 1,512 | 2,263 | 3,541 | 2,516 | 1,320 | 76 | 19,521 |

Less provision for non-collection @ 2.5%

488 properties

Council Tax Base 2014/15

19,033 properties

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

Non Domestic Rates Income Account for the year ended 31 March 2015

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.

| 2013/14 | | 2014/15 |
|-----------------------------|--|-----------------------------|
| £000 | | £000 |
| (17,993) | Gross rates levied and contributions in lieu | (18,584) |
| 3,223 | Reliefs and other deductions | 3,348 |
| 266 | Allowance for impairment of debts and appeals | (277) |
| <hr/> (14,504) <hr/> | Net Non-Domestic Rate Income | <hr/> (15,513) <hr/> |
| 1,843 | Adjustment to previous years' national non-domestic rates | (2,297) |
| <hr/> (12,661) <hr/> | Net Non-Domestic Rates Income | <hr/> (17,810) <hr/> |
| (24) | Add back: 25% Discretionary Reliefs not offset for Pool Contribution | (29) |
| <hr/> (12,685) <hr/> | Income for Contribution to Non-Domestic Rate Pool | <hr/> (17,839) <hr/> |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15

Non Domestic Rates Income Account for the year ended 31 March 2015

| 2013/14 | | 2014/15 |
|-----------------|---|-----------------|
| £000 | | £000 |
| 12,685 | Contribution to National Non-Domestic Rate Pool | 17,839 |
| (11,872) | Distribution from National Non-Domestic Rate Pool | (12,918) |
| 813 | Loss from National Pool | 4,921 |
| (11,872) | Net NNDR Income per the Comprehensive Income and Expenditure Statement (Note 10) | (12,918) |

No income was retained by the Council in respect of the Business Rates Incentivisation Scheme, Tax Incremental Financing or similar schemes.

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

| | 2013/14 | 2014/15 |
|---|----------------|----------------|
| National Non-Domestic Rate | 46.2p | 47.1p |
| Large Property Supplement – properties valued > £35,000 | 0.9p | 1.1p |

**CLACKMANNANSHIRE COUNCIL
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Non Domestic Rates Income Account for the year ended 31 March 2015

NDR 3. Analysis of Rateable Values as at 1 April 2014

| Type of Subject | Number of Premises | Rateable Value £000 |
|------------------------|-------------------------------|------------------------------------|
| Commercial | 916 | 14,094 |
| Industrial | 340 | 13,825 |
| Miscellaneous | 312 | 10,150 |
| Total | 1,568 | 38,069 |

**CLACKMANNANSHIRE COUNCIL
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COMMON GOOD

Summary

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.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Common Good Comprehensive Income and Expenditure Statement

For the year ended 31 March 2015

| 31 March 2014 | | | 31 March 2015 |
|----------------------|--|---------------------|----------------------|
| £000 | | | £000 |
| | Income | | |
| (208) | Charges for use of premises | (230) | |
| (290) | Specific Grant | - | |
| <u>(498)</u> | | <u> </u> | (230) |
| | Expenditure | | |
| 35 | Property Maintenance | 63 | |
| 41 | Utilities | 50 | |
| 52 | Rates | 49 | |
| 40 | Cleaning, land services and refuse collection | 24 | |
| 40 | Insurance | 33 | |
| - | Computer | 11 | |
| 124 | Depreciation and Impairment | 2,278 | |
| <u>332</u> | | <u> </u> | <u>2,508</u> |
| (166) | Cost of Services | | 2,278 |
| <u>(2,310)</u> | Non-Specific Grant Income | <u>(887)</u> | |
| (2,476) | (Surplus)/deficit on Provision of Services | | 1,391 |
| (4) | (Surplus)/deficit on revaluation of non-current assets charged to the Revaluation Reserve | | 939 |
| <u>(2,480)</u> | Total Comprehensive (Income) and Expenditure | | <u>2,330</u> |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
Common Good Comprehensive Income and Expenditure Statement

For the year ended 31 March 2015

(continued)

The movement in Total Comprehensive Income for 2014/15 is mainly due to the downward revaluation of assets resulting from the five yearly asset revaluation exercise carried out in the year.

Common Good Balance Sheet
As at 31 March 2015

| 2013/14 | | 2014/15 |
|--------------------|-------------------------------|--------------------|
| £000 | | £000 |
| | Non-Current Assets | |
| 6,300 | Property, Plant and Equipment | 4,260 |
| | Current Assets | |
| 8 | Short-Term Investments | 8 |
| 290 | Short-Term Debtors | - |
| <hr/> 6,598 | Net Assets | <hr/> 4,268 |
| | Usable Reserves | |
| 8 | Revenue Reserve | 8 |
| 290 | Capital Grants Unapplied | - |
| | Unusable Reserves | |
| 1,177 | Revaluation Reserve | 221 |
| 5,123 | Capital Adjustment Account | 4,039 |
| <hr/> 6,598 | | <hr/> 4,268 |

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15**

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 2013 | 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 | - | 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 | 8 | 290 | 298 | 6,300 | 6,598 |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
COMMON GOOD MOVEMENTS IN RESERVES STATEMENT

(continued)

Movement in Reserves during 2014/15

| | | | | | |
|---|----------------|--------------|----------------|----------------|----------------|
| Surplus on provision of services | (1,391) | - | (1,391) | - | (1,391) |
| Other Comprehensive Income and Expenditure | <u>-</u> | <u>-</u> | <u>-</u> | <u>(939)</u> | <u>(939)</u> |
| Total Comprehensive Income and Expenditure | (1,391) | - | (1,391) | (939) | (2,330) |
| Adjustments between accounting basis & funding Basis under regulations (Note 1) | 1,391 | (290) | 1,101 | (1,101) | - |
| Increase in 2014/15 | <u>-</u> | <u>(290)</u> | <u>(290)</u> | <u>(2,040)</u> | <u>(2,330)</u> |
| Balance at 31 March 2015 carried forward | <u>8</u> | <u>-</u> | <u>8</u> | <u>4,260</u> | <u>4,268</u> |

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2014/15
NOTES TO THE COMMON GOOD ACCOUNT

Note 1. Adjustments between Accounting Basis and Funding Basis Under Regulations

| 2014/15 | Common Good Balance £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|---|--|---|
| Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement | | | |
| Charges for Depreciation and Impairment of Non-Current assets | (2,278) | - | 2,278 |
| Capital Grants and Contributions Applied | 887 | - | (887) |
| Application of Grants to Capital Financing | - | 290 | (290) |
| | <u>(1,391)</u> | <u>290</u> | <u>1,101</u> |
| | | | |
| 2013/14 | 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) | - |
| | <u>2,476</u> | <u>(290)</u> | <u>(2,186)</u> |