

**Making Clackmannanshire Better**



**Clackmannanshire  
Council**

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**Financial  
Statements  
2015 / 2016**

**Better Services**

**Better Opportunities**

**Better Communities**

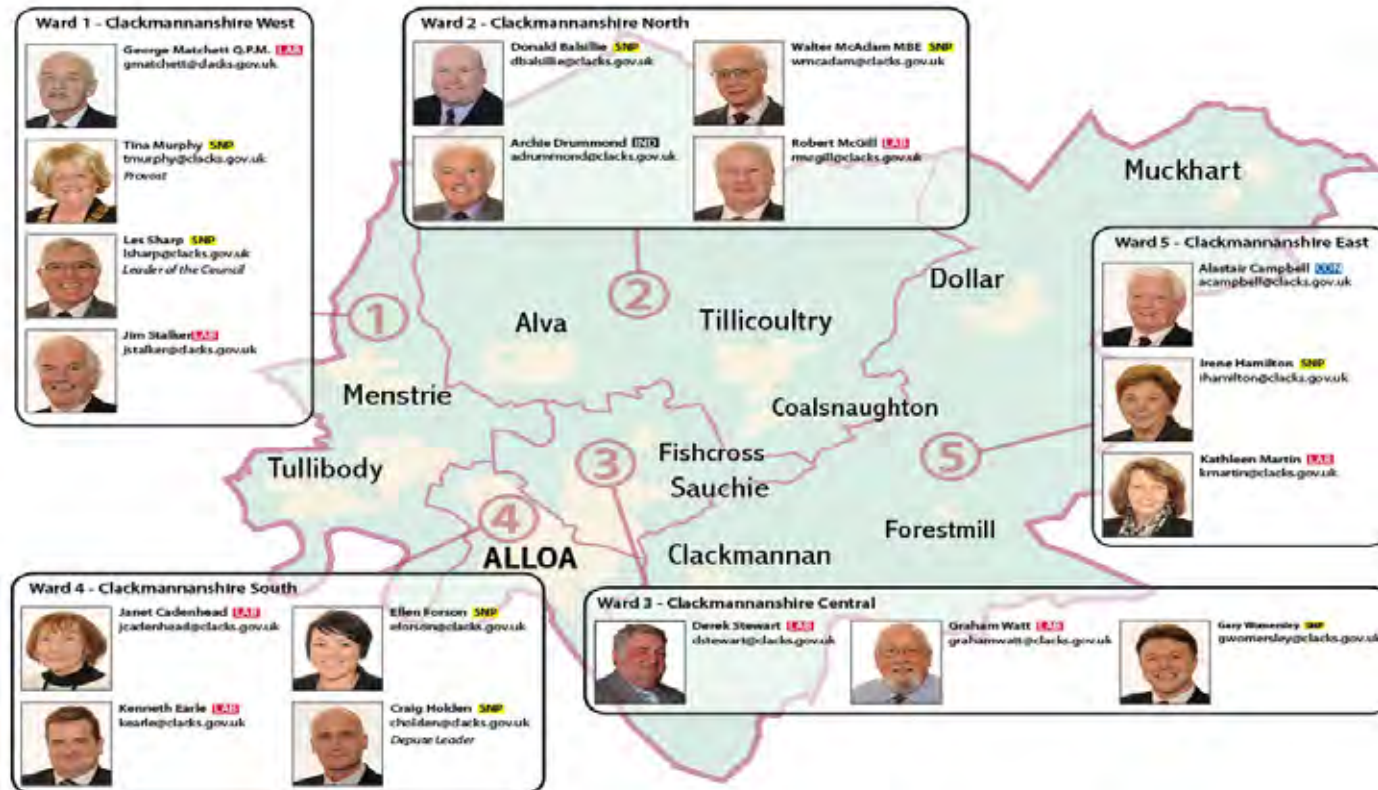
**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**

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# CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2015/16 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 during 2015/16 was: 8 Labour, 8 SNP, 1 Independent and 1 Conservative as listed below:



Since the 31 March 2016 the Council has had a change of leadership. In May 2016, the SNP resigned as Administration and the Labour party subsequently took up Leadership of the Council in June 2016 with Council Member Robert McGill taking on the role of Council Leader.

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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 2015/16 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 Executive Team plus Heads of Service.

# CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2015/16 Council Services

## Senior Management Team



Colin Girdle  
Executive Director



Elaine McPherson,  
Chief Executive



Fifi Kettle,  
Deputy Chief Executive



David Lewis  
Head of Executive  
Services

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



Stuart Christie  
Head of Strategy and  
Communications

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



James McNeil  
Head of Development  
& Community Services

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



Sharon 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 Clarke  
Head of Financial and  
Customer Services

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



Viki 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 ANNUAL ACCOUNTS 2015/16 *Management Commentary*

## Introduction

This commentary sets the scene and context for the Financial Statements for Clackmannanshire Council for the year ended 31 March 2016. 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. Management commentary aims to ensure compliance with changes required by 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. 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 the smallest mainland councils in Scotland covering 61 square miles and serving a population of 51,442. The Council employs 2,855 staff and has 18 councillors who are selected every five years through local elections. The Leader of the Council during 2015/16 has been Councillor Les Sharp and the Chief Executive is Elaine McPherson. During May 2016, the SNP Administration resigned with the Labour party subsequently taking over the role of Administration and Councillor Robert McGill taking up the position of Council Leader in June 2016.

In 2015/16 the Council spent £173.3m 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.

During 2015/16 there has been significant investment in preparation for the implementation of Health and Social Care Integration (HSCI) from 1 April 2016. In particular key areas of investment have included working in partnership with the Clackmannanshire and Stirling Integrated Joint Board (IJB) to establish a Strategic Plan and robust and transparent governance arrangements. These arrangements also require significant engagement in respect of the financial due diligence process which was undertaken to agree levels of partner resourcing to support the delivery of the Strategic Plan. The IJB has since its inception indicated its willingness to look at how HSCI can positively contribute to the delivery of more integrated customer focused service delivery at a local level. It is anticipated that specific proposals will be developed and presented during 2016/17.

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**Strategic context (continued)**

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 £127.8m 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.

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 £5.425m and £9.309m in the indicative funding gap for 2017/18 and a cumulative indicative gap to 2018/19 between £10.164m and £18.310m. 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 have 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 below, 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.

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Strategic context (continued)

**Exhibit 1: Clackmannanshire Council Strategic Framework**





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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. The budget preparation 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.

During 2015/16, Chief Officers worked closely with the Administration Finance Group to develop proposals which fed into the February 2016 budget setting process. These proposals built on and further developed the Making Clackmannanshire Better service delivery required based on the establishment of Community Partnerships and the Community Investment Strategy.

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](http://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. Performance highlights include:

**Better Services**

The Plan details a vision for integrated and efficient local services which are responsive to local circumstances and need. Collaborative working to make best use of all resources, particularly focussing on prevention and transparent and accountable service delivery. Key highlights include:

- significant developments in integrated service design and provision via a range of council and partner transformational programmes, including Health and Social Care Integration, Community Justice, and integrated local service delivery;
- investment in the development of new housing and IT infrastructure throughout Clackmannanshire;
- engagement with third sector in a Partners for Change initiative to improve the design of commissioning approaches and integrated public service design; and
- improving resident satisfaction, with 93% rating public services in Clackmannanshire as good or fairly good.

**Better Opportunities**

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

- a range of early intervention and prevention actions involving children's services, care and homelessness services have been delivered, including implementation of 600 hours of early learning and childcare and approval of the Raising Attainment strategy in Clackmannanshire with funding investment secured for its implementation;
- embedding of Getting It Right For Every Child (GIRFEC) national practice model along with adoption of the assessment and evaluation framework;

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**Business Performance (continued)**

- provision of support targeting employment and training of young people in Clackmannanshire including 18 supported Looked After Children training/employment placements and 28 Youth Employment Scotland funded places to support the costs associated with employing young people and modern apprenticeships; and
- improving resident satisfaction, with 92% rating their quality of life as good or fairly good.

**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. Key highlights include:

- a community investment model has been approved enabling services to be designed and transformed to better meet customer needs and growing demand;
- the Village and Small Towns Initiative is enabling community engagement and regeneration, including environmental improvement works in Tullibody's main shopping precinct;
- ongoing support and encouragement is being provided for communities to develop and implement Community Action Plans, increasing community development and empowerment; and
- continued resident satisfaction, with 93% of residents rating their neighbourhood as a good place to stay.

**Financial Performance 2015/16**

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 2016. A brief explanation of each statement and its purpose is provided on page 66. The Statements are grouped under Core Financial Statements and Supplementary Financial Statements.

An Annual Governance Statement is provided at page 32 and a Remuneration Report is included at page 46.

Against the background of reducing resources the Council has successfully delivered savings in the year in excess of its budgeted requirement. This, along with the reserves earmarked for 2015/16 not being fully utilised has resulted in a significant increase in general fund reserves.

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### **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).

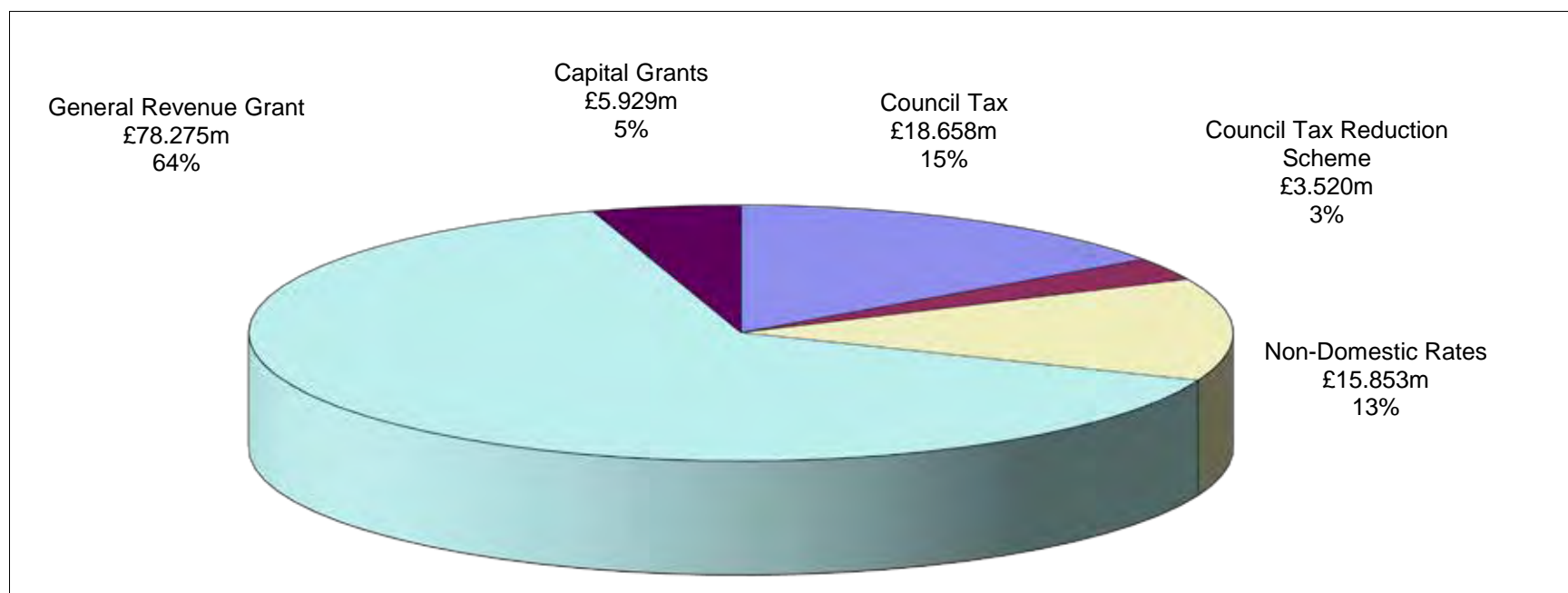
The Council's income and expenditure for financial year 2015/16 is detailed in the Comprehensive Income and Expenditure Statement set out on page 72. It should be noted that the classification of services in this statement complies with that prescribed by the Service Reporting Code of Practice (SeRCOP) 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 2015/16, the underspend achieved in the year compared to budget was £4.227m. A detailed analysis of the Council's finances at its management structure level is disclosed in the Financial Statements Note 11 on page 116.

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**Sources of Income to the Council**

**Exhibit 2: Proportion and source of income received in 2015/16**

The largest source of funds was the General Revenue Grant and Non-domestic Rates received from Scottish Government which amounted to £94.128m (2014/15: £92.713m). 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 189). Income from Council Tax in 2015/16 was £18.658m (2014/15: £18.341m). Funding was also received from the Scottish Government for the Council Tax Reduction Scheme for which the Council received income of £3.520m (2014/15: (£3.526m). In 2015/16 capital grants totalled £5.929m (2014/15: £5.228m). The proportions of income received by the council in each of these categories are shown in the following chart:



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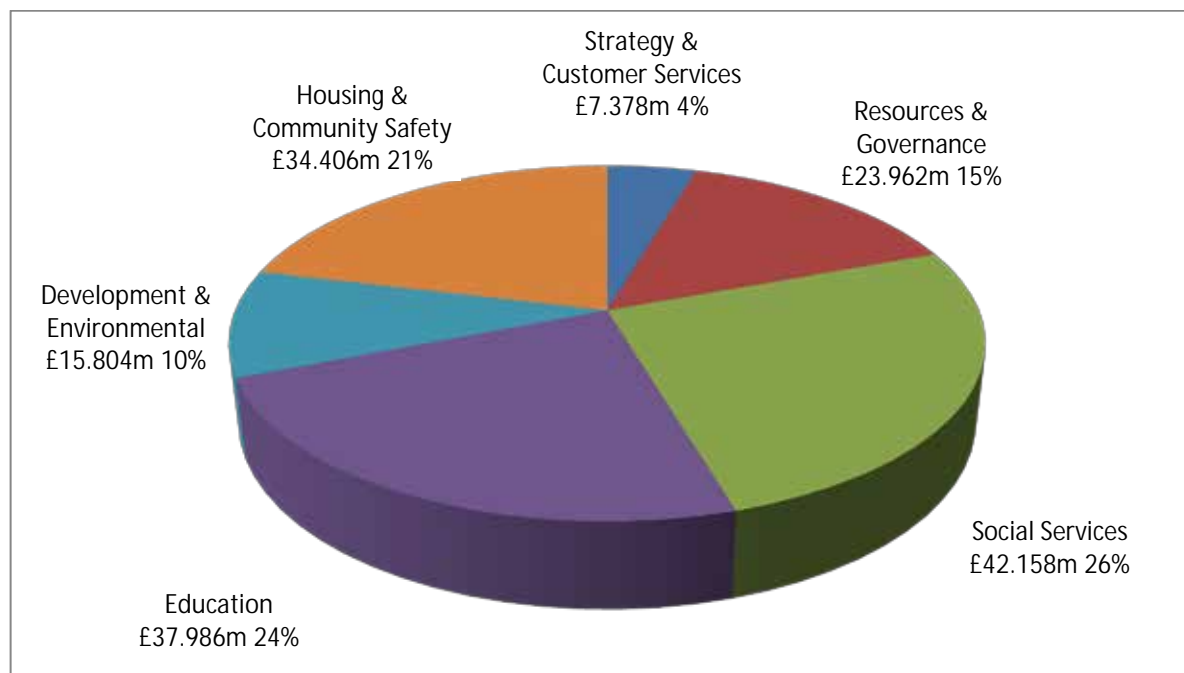
**Council Revenue Expenditure Summary**

**Exhibit 3: Proportion of 2015/16 Revenue Expenditure by Service**

In 2015/16 the total operating expenses for service delivery was £161.694m (as detailed in Note 11 of the Financial Statements on page 117). This level of expenditure indicates the significant size and complexity of the organisation.

Exhibit 3 below shows the expenditure apportioned by service with Social Services having the highest level of spend and Strategy & Customer Services the lowest.

The structure chart on the following page shows the functions included within each Service.

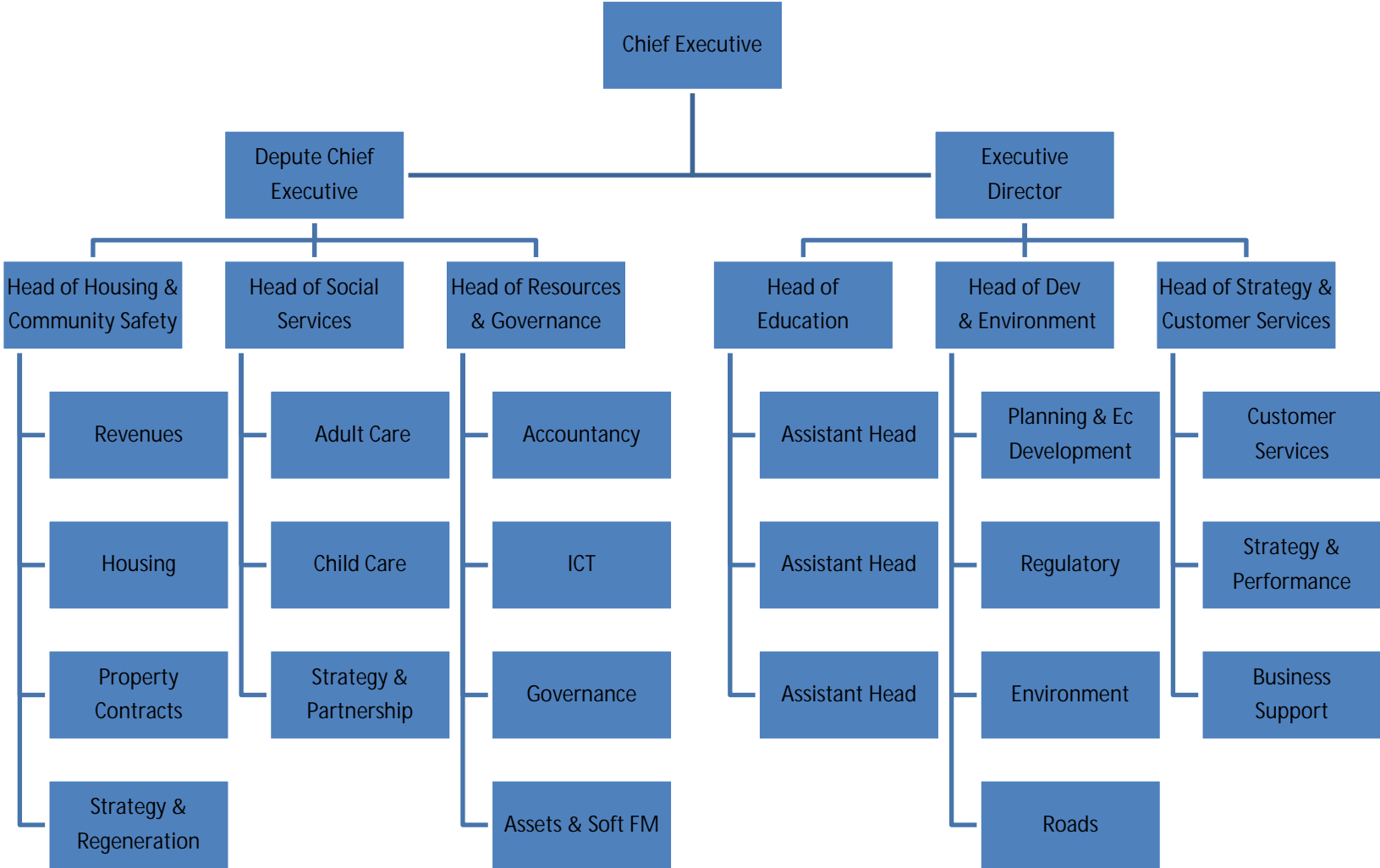


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**Management Structure**

**Exhibit 4: Management Structure**

The Council's Management Structure is set out in Exhibit 4 below.



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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: 2015/16 Summary of Council reserves**

	<b>General Fund Balance £000</b>	<b>Housing Revenue Account £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Insurance Fund £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Total £000</b>
<b>Opening Balance as at 1 April 2015</b>	<b>11,609</b>	<b>1,949</b>	<b>2,946</b>	<b>1,293</b>	<b>160</b>	<b>17,957</b>
Enhancements (Utilisation)	416	(1,262)	1,092	-	169	415
Transfers	1,928	-	(1,890)	(38)	-	-
Annual Interest	82	23	-	-	-	105
<b>Closing Balance as at 31 March 2016</b>	<b>14,035</b>	<b>710</b>	<b>2,148</b>	<b>1,255</b>	<b>329</b>	<b>18,477</b>

A comprehensive analysis of the Council's reserves is provided in the Movements in Reserves Statement on page 70 and supporting notes. It will be noted that total usable reserves have increased from £17.957m at 31 March 2015 to £18.477m at 31 March 2016.

The General Fund has increased from £11.609m at the start of the year to £14.035m at March 2016. The uncommitted element of this balance, which represents the service income and expenditure approved and monitored throughout the year, recorded a surplus of £4.227m which is an increase on the figure of £1.849m at January 2016 reported to Resources and Audit Committee in April 2016.



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**Council Reserves (continued)**

Of the £14.035m balance at 31st March 2016, £6.341m 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 2015/16**

	<b>Total</b>
	<b>£000</b>
Devolved School Management	249
Corporate Miscellaneous	360
MCB (previously Spend to Save Fund)	520
Change Funds	213
Other Miscellaneous Service commitments	453
Employment Fund	2,873
Education Restructure	150
Sum approved in support of 2016/17 Budget	1,523
<b>Net Committed Reserves</b>	<b>6,341</b>

The uncommitted element of General Fund at March 2016 which is generally available to support future expenditure stood at £7.694m. 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 7.1%.

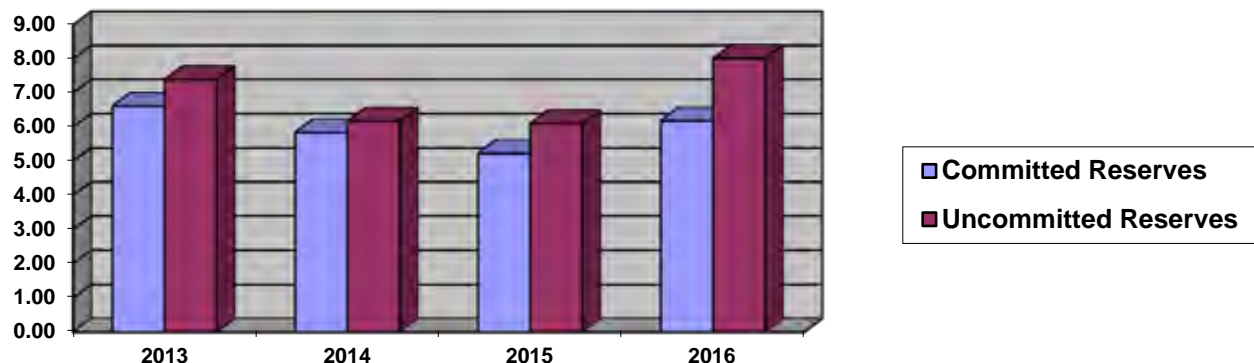
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**Council Reserves (continued)**

The movement in the Council's reserve position since 2013 (trend) is shown below:

**Exhibit 7: Trend in reserves position 2012/13-2015/16**

million



During the year, the Council has continued to forecast corporate underspend. This corporate position, however, masks the variation at individual service level, notably Social Services which reported a significant overspend during the year (£1.653m as at January 2016 reported in April 2016). Significant work was undertaken to improve on this position, including a regularly monitored Management Action Plan. The frequency of reporting on progress was also increased for the Housing, Health & Care Committee which received a finance update at each meeting. This resulted in a 31% reduction in the projected overspend by 31 March 2016 (£1.149m). It also highlighted improvement areas with regards the commissioning of services and joint work with the Education Service.

Significant priority continues to be placed on the verification and validation of management information. It is envisaged that this aspect will be considerably enhanced once the new financial ledger system is implemented in 2016/17. The implementation of the new system has been the subject of four Internal Audit reviews which concluded that there was significant assurance over the project implementation arrangements.

In addition regular scrutiny of financial performance is undertaken by Corporate Management Team (CMT) and Elected Members and financial governance and compliance issues are regularly profiled with staff, for instance through the Council's intranet system (CONNECT) and the Focus on Finance quarterly newsletter.

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**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	2015/16	2014/15
<b>Reserves</b>			
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. The contribution to reserves this financial year is £2.474m mainly as a result of a vacancy freeze increasing the ratio.	7.13%	5.75%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve. As above, the surplus has resulted in an increase in the uncommitted reserves balance.	20.61%	-1.1%
<b>Council Tax</b>			
In-year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to aim to increase its collection rate despite the current economic climate and its effect on the local economy. Increase of 0.8% in year is the highest in-year collection rate since 2009. This is a result of better focus in recovery processes, IT system improvements and better engagement with new Sheriff Officers.	95.77%	94.97%
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. Clackmannanshire Council, in common with all Scottish Local Authorities, has frozen Council Tax since 2008/09.	15.26%	15.31%

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**Key Financial Ratios (continued)**

<b>Financial Management</b>		<b>2015/16</b>	<b>2014/15</b>
Actual Outturn compared to Budgeted Expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year	96.22%	97.59%
Actual contribution to/from Unallocated General Fund Balance compared to Budget.		96.08%	98.09%
<b>Debt/Long-term Borrowing</b>			
Capital Financing Requirement (CFR) for the current year	External debt levels are lower than the CFR and debt has reduced in the year in line with the council's treasury strategy.	£153.294m	£161.239m
External Debt Levels for the current year		£146.367m	£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.	8.12%	8.26%
Impact of Capital Investment on Council Tax		Nil	Nil

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**Capital Expenditure**

The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability, sustainability, the management of assets and the achievement of strategic objectives. Capital spending in 2015/16 on General Fund Services (including operational Common Good properties) was £6.694m and on Housing was £9.736m. This represents 62% of the budgeted spending level

<b>Expenditure</b>	<b>£000</b>	<b>Financed by</b>	<b>£000</b>
Property Asset Management plan	1,469	Government Grants & Contributions	7,857
Roads Asset Management plan	3,275	Capital Receipts	1,607
Land Asset Management plan	233	Capital Finance from Revenue	6,574
Fleet Asset Management plan	594	Borrowing	392
IT Asset Management plan	856		
Corporate Asset Management plan	267		
Housing Business plan	<u>9,736</u>		
	<b>16,430</b>		<u><b>16,430</b></u>

During 2015/16 the Council invested £16.430m of capital expenditure on its assets. This reflects an underspend of £9.829m on the budgeted programme, and an increase on the underspend of £3.664m projected in January and reported to Resources and Audit Committee in April 2016. Capital expenditure in the year has been financed by capital receipts (£1.607m), government grants and contributions (£7.857m) and direct revenue funding (£6.574m) leaving a balance of (£0.392m) 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 £7.048m were made in the year.

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## 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 £5.314m against a budgeted surplus of £4.902m. From this surplus a revenue contribution to capital of £6.553m 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 £1.239m as shown in the movement in reserves statement. Working balances available to the Housing Revenue Account have therefore reduced to £0.710m as at 31 March 2016. This balance will continue to be earmarked to support the delivery of the Housing Business Plan in line with our approved strategy.

Housing has been working with Vanguard Scotland during the year as part of a change programme. The aim of which is to involve the staff in service design, to focus on customer service with a view to achieving efficiencies while increasing the capability and capacity of staff. This work has resulted in reductions in time taken to re-let properties and a reduction in the rental income lost through voids.

The Housing Revenue Account incurred capital expenditure of £6.966m which has ensured that the housing stock is 97.3% compliant with the Scottish Housing Quality Standard. The main areas of spend are £1.8m on Central Heating, £1.2m on Kitchens and Bathrooms and £0.8m on Roof and Render work. In addition to this the Council continues to invest in New Build Housing, with new houses now available in Tillicoultry and developments soon to be completed in Sauchie and also continues to increase its housing stock with the purchase of individual units from the market.

## Debt

The Council's gross external debt as at March 2016 which supports our investment and development of long-term assets totals £146.367m, consisting of:

External borrowing	£102.652m
PFI and other finance leases	£43.715m

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**Debt (continued)**

This is a decrease of £17.296m on the previous year external debt position of £163.663m. There was no additional borrowing undertaken in the year to fund the capital programme. Repayments were also made to PFI of £1.3m. The Council continues to work towards reducing overall external debt in line with the Treasury Management Strategy. External interest paid in the year was £8.972m.

Receipts held in the capital receipts reserve total £2.148m. The sum is available either to be applied to reduce future borrowing requirements or to finance loan principal repayments. An amount of £0.329m was held in the capital grants and contributions unapplied account at the year end which has been ring-fenced for future economic development.

**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 2016 is £43.338m and this sum is included within the Council's overall borrowing position referred to above.

The unitary charge paid to the operator in 2015/16 was £7.421m (2014/15: £7.361m) 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 37 on page 163.

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.

During 2015/16 significant work has been taken forward to resolve contractual interpretation matters in respect of the PPP scheme. Good progress has been made and it is envisaged that the conclusion of work during 2016/17 will facilitate the resolution of issues currently classified as contingent liabilities on page 174.

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### **Net Pension Liability**

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at 31 March 2016 disclosed a deficit of £108.274m (2014/15: £135.470m). 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 an improvement of £27.196m on the position recorded at 31 March 2015 as a result of the latest valuation of the fund due to the financial assumptions being more 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 155.

### **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 2015/16 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 £181k (2014/15: £301k) 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 £32k 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 £124k and a provision for this sum has been carried forward with the difference of £25k being returned to general fund balances.

### **Voluntary Severance**

During 2015/16, the Council continued to reduce costs by granting staff voluntary severance on grounds of efficiency where appropriate. At April 2015 the Council had set aside a provision of £787k to fund voluntary severance approved, but not yet implemented during 2014/15. During 2015/16 £725k of this was utilised and £19k was returned to general fund balances as it was no longer required. The remaining balance of £43k (2014/15: £787k) is to provide for the committed costs associated with the severances due to leave in 2016/17.

### **Damages Claim**

The provision of £61k set aside in 2014/15 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 partly utilised during the year (£24k). A further provision of £263k 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%. A payment of £13k was made in the year with no payments made in 2014/15. £8k of the remaining balance has been moved to short term provisions to cover the known cost of an increase in the levy from 15% to 25%. The balance of the provision (£53k) has been carried forward to meet future claims.

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### **Legal Costs**

The Council is involved in ongoing legal action which has resulted in external legal costs. The Council made a provision of £78k at the end of 2014/15 to cover estimated costs of scheduled activities. This provision was fully utilised during 2015/16. A further provision has been made at 31 March 16 to cover the estimated costs of known scheduled activities for the coming year.

### **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 2015/16, the note (note 42, page 174) discloses four contingent liabilities in respect of Equal Pay, Insurance, Damages Claim and PPP. The Council has no material contingent assets at the Balance Sheet date.

### **Property Plant and Equipment**

The 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) has introduced changes to the measurement of Highways Infrastructure Assets. This change requires Local authorities to measure Highways Infrastructure Assets at their current value i.e. depreciated replacement cost and record these assets under a separate heading of Infrastructure Assets on the balance sheet. Previously these assets will have been included within elements of PPE valued at historic cost.

These changes take effect from 1 April 2016 and will be reflected for the first time in the 2016/17 accounts, where an opening balance sheet will be provided. The transitional arrangements are such that no retrospective restatement will be required. Highways Infrastructure Assets are currently reported in the Whole of Government accounts and on this basis the Council expects the change to the balance sheet to be a significant increase to non current assets in excess of £500m. Work has been progressing to enable these assets to be identified and appropriately valued in line with the code.

## CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2015/16 Management Commentary

### Business Environment and Risks

During 2015/16, in response to initial signs of economic recovery in the UK, the Chancellor in the July 2015 Budget announced that an additional £83billion would be available for public service revenue budgets over the next 4 years. This created some optimism that anticipated reductions in pressured revenue budgets would, in part, be mitigated.

However, this position was subsequently revised by the March 2016 UK Budget announcement when the Office for Budgetary Responsibility (OBR) indicated that economic growth projections had been revised downwards, resulting in a loss of the previously anticipated increases in public finances. As a consequence, the UK Government has increased the planned reductions in public service resourcing post 2018/19.

Prior to the EU Referendum outcome, the UK's fiscal outlook had already worsened during the course of 2015/16, though the distribution of the impacts had changed, with greater reductions being planned for 2019/20 and a lessening of the impacts in 2016/17 and 2017/18. Having said that, it is also anticipated that the greatest pressure over the Spending Review Period will continue to fall on day to day revenue expenditure. Since the outcome, the economic and fiscal implications remain highly uncertain and it is clear it will take some time to crystalise. This will likely be in terms of years rather than months and in the interim, ongoing volatility is anticipated.

As in recent years, this operating environment presents the key challenge of developing and sustaining medium to longer term financial planning. Audit Scotland continues to promote the importance of this aspect of financial activity. In Clackmannanshire, the Council has sought to promote medium to longer term financial planning over a number of Budget rounds, the key features of the approach being:

- The use of financial scenario planning to provide a range of potential financial outcomes relative to changes in the key financial assumptions made;
- The use of MCB as the strategic framework for delivering change in a longer term planning context; and
- The Budget setting process provides indicative budgets for future years and identifies specific Business cases and / or new areas for review to be developed. This provides a multi year view of the programme of activity and how it relates to Budget setting and indicative funding gap forecasts in individual financial years.

As for the wider public sector, a key area of uncertainty for the Council continues to be the future levels of grant funding it will receive. The Scottish Spending Review (SSR) is scheduled for early Autumn and the public sector remains optimistic of receiving notification of three year settlement figures which will considerably assist medium to longer term financial planning.

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**Business Environment and Risks (continued)**

Given this operating context, the preparation of medium to long term financial plans are subject to a number of additional key risks and uncertainties which will have an impact on budget assumptions. With our funding now reducing in cash terms and for 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 2016/17 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 also continues to implement the structural reforms to integrate elements of health and social care and the cessation of shared services with Stirling. 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 the Community Empowerment Act and carer's legislation.

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.

**Plans for the Future**

The Council has been actively implementing 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 is in place and we continue to work through the financial and governance implications for both local government and the NHS in Scotland. Budgets for integrated services have been integrated to form a pool of resource which has 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 various due diligence processes undertaken by the partnership have been effective in securing results and are good examples of collaborative working with our key partners and stakeholders.

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**Plans for the Future (continued)**

Significant work is also being taken forward to establish new arrangements for the delivery of Education and Social Work Services as the council moves towards cessation of shared service arrangements by 31 March 2017.

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 2017 and 2020 further budget reductions of approximately £16.9m 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 existing and forecast financial pressures.

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](http://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 and 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 2015/16 financial statements.

**Councillor McGill**  
**Leader of Clackmannanshire Council**  
**15 September 2016**

**Elaine McPherson**  
**Chief Executive**  
**15 September 2016**

**Nikki Bridle**  
**Depute Chief Executive**  
**15 September 2016**

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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 (section 95 of the Local Government (Scotland) Act 1973). 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;
- ensure the annual accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the annual accounts for signature.

I confirm that these Annual Accounts were approved for signature by Audit and Finance Committee at its meeting on 15 September 2016.  
Signed on behalf of Clackmannanshire Council

**Councillor McGill**  
**Leader of Clackmannanshire Council**

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**Statement of Responsibilities**

**The Depute Chief Executive's Responsibilities**

The Depute Chief Executive is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code').

In preparing the Annual Accounts, 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 Accounting Code (in so far as it is compatible with legislation).

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.

I certify that the Financial Statements give 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 2016.

**Nikki Bridle**  
**Depute Chief Executive**  
**15 September 2016**



# **CLACKMANNANSHIRE COUNCIL**

## **ANNUAL ACCOUNTS 2015/16**

### **Annual Governance Statement**

#### **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 2015/16 which requires an authority to conduct a review at least once a year of its internal controls and include a statement reporting the findings of that review as an Annual Governance Statement. This provides assurance that the Annual Accounts give a true and fair view of the authority's financial position at the reporting date and its financial performance during the year.

#### **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.

#### **The Council's Governance Framework**

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 (continued)**

The Council's current Governance Strategy together with its Local Code of Governance is the foundation for this governance statement but it will be revised and re-submitted for Council approval during 2016 and will follow the revised CIPFA guidance on Local Authority Governance that was published in April 2016. The current Governance Strategy provides the blueprint for the Council's governance framework and ensures that assurance is given to 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 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 Deputy 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 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 focussed on risk and governance improvement action plans in order to provide assurance about key priorities. The Panel is Chaired by the Head of Resources and Governance and comprises 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)

A key part of the process is that each Service Management Team provides assurance, supported by sufficient evidence, 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.

### 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 align 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 its strategic and operational objectives. The organisation has the framework in place to measure performance at Corporate, Service, Team and Individual levels.

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

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

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**Review of Effectiveness (continued)**

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;
- Procurement Strategy & Procurement Journey.

The assurance process demonstrated that risk registers are largely in place within services but more attention is required in regard to their review and maintenance. Risk management in relation to major corporate projects or multi agency projects is improving. Revised guidance, which is appended to the Corporate Risk Management Strategy, was introduced during the year and approved at the December meeting of the Resources and Audit Committee.

The Council maintains its own Internal Audit and Fraud function which undertook 19 Audits during 2015-16. All of these 19 audits have been completed, with 14 final and 5 draft reports issued to management. For the final reports issued to date, Internal Audit provided significant assurance for 4 reviews and reasonable assurance for 10. New arrangements were introduced whereby management actions arising from previous Internal Audit Reports are now being recorded on Covalent and will be reported through relevant service committees. Target dates for implementation of management actions are now included within Covalent and will be included in 2015/16 service performance reporting. 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 to 31 March 2016.

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**Review of Effectiveness (continued)**

The Council progressed its project to procure and implement a new finance system with key financial modules going live on 1 April 2016. The previous system was unable to keep up with the Council's requirements to produce timely and accurate information without significant manual intervention. The new system is providing 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. Procure to pay modules which will significantly improve the accuracy and governance of procurement activity will be going live between July and September 2016.

A report on Procurement activity in the Council was provided to the R&A Committee in February 2016. In addition to the new procure to pay system the following key developments were noted:

- The introduction of new procurement legislation and accompanying Regulations providing for new Public Sector Duties and the transposition of three new EU Directives into Scottish Law. The various requirements were published with implementation dates in 2016. An e-learning pack and training courses were made available by the Scottish Government which will be used alongside internal revisions to guidance and templates to help procurement staff understand the impact of the transition; and
- The end of the current method of evaluating the performance of Procurement functions (the Procurement Capability Assessment) and the introduction of the Procurement Capability Improvement Programme in 2016.

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**Significant Governance Issues**

**Shared Services**

Following the submission of a report by external consultants, Ernst & Young, that evaluated the business case for deeper integration with Stirling Council in regard to the provision of shared services for social work and education, Stirling Council took the decision to end the existing arrangements. This decision was discussed and a motion passed by Clackmannanshire Council at its October 2015 meeting also to end the existing arrangements. This has led to work being taken forward to re-establish independent services. Proposals have been developed for a cluster based model in education and a new Head of Education has been appointed to lead the service. The future direction of social work is being evaluated and is being done so within the context of Health and Social Care Integration. Immediate governance issues have been created in regard to the central resources required and the further demands on support services in the Council. However plans are underway to adopt or transfer policies from the shared service arrangements and create management structures. Careful monitoring of front line service levels in both education and social work are being maintained and performance is subject to scrutiny by the relevant committee.

**Workforce Planning**

The Council approved a revised approach to severance and restructuring and to an overall workforce plan in December 2015. This confirmed the Council's commitment to no compulsory redundancy and gave authority to proceed with voluntary redundancy in addition to voluntary severance. In the short term the immediate loss of skills and knowledge through voluntary exit as well as natural wastage potentially increases risks such as skills shortages and the capacity to comply with statutory and other key tasks. The workforce planning guidance will enable services to take a strategic view of future requirements and provides a toolkit to enable the rating and management of immediate risks to service delivery.



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**Significant Governance Issues (continued)**

**Health and Safety**

Serious breaches of health and safety came to light during the year the most serious of which included an amputation of a staff member's toes, poor supervision in a leisure facility leading to a child breaking a limb and an improvement notice being served in regard to the Council's monitoring of Hand Arm Vibration Syndrome (HAVS). The most serious of these, the toe amputation, has been referred by the HSE to the Procurator Fiscal to determine if there is a case to take action against the Council. The key findings from these cases were that there had been a lack of compliance with procedures, a lack of training and a governance structure in relation to health and safety that was not fit for purpose. Short term resources have been provided to the health and safety team and their workload has been prioritised. A new structure for health and safety governance has been agreed by CMT and a member of the Executive Team will be given corporate responsibility for improving the health and safety culture within the Council.

**Making Clackmannanshire Better**

Making Clackmannanshire Better (MCB) is the Council's approach to change and comprises a series of inter-connected projects and programmes to enable the Council to get maximum benefit from its resources which means that the Council's approach needs to:

- focus on clear priorities;
- transform services;
- be efficient and effective; and
- ensure all income owed is collected and services are charged for appropriately.

Both the pace of change and the resources and policy decisions required to make MCB happen have been examined and the overall approach refined. A dedicated resource has been identified to co-ordinate projects and business cases and progress reports are now being made through Covalent. Separate monthly meetings have been established with Trade Unions and elected members to discuss key issues and share business cases and proposals at an early stage to ensure that they are politically acceptable, support policy priorities and any staffing issues are managed. Significant improvements have been made in the governance of MCB during the year including the recording of project progress and benefit realisation.

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**Significant Governance Issues (continued)**

**Corporate Support**

The necessary contraction of staffing will inevitably require the reduction of corporate support services at a greater rate than front line services where staffing numbers are ring fenced or there is a clear relationship to demand. The transformational change required in the Council means that managers and staff at all levels will need to be ready to engage with advancing technologies, comply more readily with Council policies and procedures and be prepared to tolerate lapses in service quality whilst processes are reviewed, new systems are being procured and old or obsolete systems are being replaced. For example, during the year a programme of server replacements has seen IT systems migrate to more cost effective and ultimately more reliable platforms. As work has progressed there have been drops in service and frustration for end users. Planned changes are subject to a strict change protocol so that where such lapses are predicted advanced warning is given.

A number of unforeseen issues, outside the Council's control, such as external network failures and power outages have also impacted on the IT service and Business Continuity Plans were invoked and worked well although lessons have been learned and a Business Continuity Improvement Plan was developed. Such issues are rectified as quickly as possible with explanations provided via the corporate intranet.

The two Heads of Service primarily responsible for Corporate Support functions are continuing to bring forward proposals to modernise services and reduce headcount in central support. For example, the introduction of electronic payslips during 2015 has seen a reduction of around 40% in the average cost per payslip but staff have had to learn to accept the change in format.

**Information Management**

The risk of data breaches and ongoing challenges with the storage of documentation in either electronic or hard copy format continue because of a number of legacy issues. However progress has been made including the creation of a Records Management Plan to comply with the requirements of the Public Records (Scotland) Act, the resolution of issues regarding the location of a deed store within Kilncraigs and the disposal or electronic storage of historical records that were stored in the Council's former premises at Lime Tree House and Greenfield. Work is ongoing to keep improving approaches to information management including the development of an Information Asset Register for the Council.

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**Significant Governance Issues (continued)**

**Partnership Working**

The Council has worked collaboratively with Forth Valley NHS and Stirling Council to establish the Integration Joint Board (IJB) that oversees Health and Social Care Integration. This required the development of a strategic plan and joint action on developing the corporate support for the IJB and the recruitment or appointment of key office holders. Risks to the collaborative partnership may emerge as the IJB considers performance and in particular finance monitoring and cost attribution as it takes its work forward.

The Community Empowerment Act and work that continues with partners in the Clackmannanshire Alliance place responsibilities on the Council to ensure that partnership working with the third sector, other public bodies and communities is well governed and there is a clear articulation of roles, responsibilities and what the Council can reasonably support.

**Governance Policies**

The introduction of the new finance system, changes to procurement legislation, discussions about standing orders in Council, the change in administration and changing job roles require the Council's suite of governance documents to be revised and brought forward to Council for approval during 2016 which will also include the council's overarching governance strategy. Whilst amendments have been made and approved over time a wholesale revision particularly of finance regulations and contract stranding orders would have been of limited value in 2015/16 because of the amount of change.

Continuing issues with financial overspends, underspends and delegated financial authority will be addressed. More detailed work has been undertaken by services to examine the reasons for this and these are reported to elected members via service reports and Budget updates. In Social Services the majority of the £1.1m overspend is due to children's residential placements and a scrutiny review has been established by the Resources and Audit Committee to examine the circumstances of the social service overspend.

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**Significant Governance Issues (continued)**

Governance Policies (continued)

Approximately £1.3m of an underspend has been reported in Resources and Governance, Housing and Community Safety and Development and Environment Services. This has led to a Council overall underspend of £4.3m. This is due to a number of factors including greater than forecast or required rebates and funding from the Scottish or UK governments or other bodies for various activities, the general downward pressure on staff costs and budgets not matching actual costs particularly in regard to energy costs which were lower than forecast due to global falls in the costs of oil and gas. The introduction of the new Finance System and improvements that have been made in training on budget management though the Clackmannanshire leadership programme should improve the accuracy of outturn reporting and budgeting.

**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.

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**Statement (continued)**

Internal Audit have provided me with reasonable assurance for the year 2015/16 and an Internal Audit plan is in place for 2016/17 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 S95 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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**Statement (continued)**

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

- Systematic deployment of shared 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**  
**15 September 2016**

**Councillor McGill**  
**Leader of Clackmannanshire Council**  
**15 September 2016**

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**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 2015/16 reflect the following contextual factors:

- During 2015/16 there were no new appointments to senior administration positions of the Council;
- As at 31 March 2016 there were 7 Senior Councillors in post. This is 1 less than the maximum 8 allowed for Clackmannanshire Council;
- The main committee structure remained unchanged during 2015/16. A new sub-committee of the Education, Sports and Leisure called "Attainment and Improvement" has been established with the first meeting held in April 2016;
- Following the Council decision on 22 October 2015 to end the current shared service arrangements for Education and Social Services (31 March 2017) it was agreed to establish a new Chief Education Officer post. An appointment to this post has been made and will commence early 2016/17. Future senior management structure for Social Services will come forward to Council in due course;
- Pay increase of 1.5% effective from 1 April 2015 was awarded to Councillors and senior employees; and
- On an individual basis, Chief Officers and Elected Members voluntarily agreed to take 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. This arrangement continued during 2015/16. Any agreed reductions are included in the remuneration figures detailed in tables 1, 2 and 3.

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## Remuneration Arrangements

### Councillors

The remuneration of Councillors is regulated by the Local Government (Scotland) Act 2004 (Remuneration) and Regulations 2007 (SSI No. 2007/183), amended by SSI 2008/415, SSI 2011/264 and SSI 2013/119). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.

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

The annual salary that can be paid to the Leader of the Council is set out in the Regulations which for 2015/16 was £27,878 (2014/15: £27,602). The actual salary paid to the holders of the Leaders post during 2015/16 was £28,106 (2014/15: £27,408). This includes £1,000 paid to Councillor Sharp for serving on the Association of Public Service Excellence (APSE), (2014/15: £411 as Leader and £589 as Senior Councillor). This amount is recoverable from the APSE organisation. 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 2015/16 amounts to £20,909 (2014/15: £20,702). The actual salary paid to the holder of the Civic Head post during 2015/16 was £20,330 (2014/15: £20,272).

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 £150,536 for 2015/16 (2014/15: £149,048). The total annual amount payable by the Council for remuneration to all its Senior Councillors shall not exceed £150,536.

The remuneration paid to Senior Councillors in 2015/16 covering the year 1st April 2015 to 31st March 2016 totalled £129,772 (2014/15: £143,196). This includes £3,138 paid to Councillor Holden for serving as Vice Convenor on the Valuation Joint Board (2014/15: £2,859). This amount is recoverable from this organisation. The net cost to Clackmannanshire Council in relation to Senior Councillors is £126,634 (2014/15: £140,337). This complies with current regulations.



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**Councillors (continued)**

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 3 May 2012 the new administration revised the 8 Senior Councillor positions to Depute Leader, Depute Provost, 5 Committee Convenors and Chair of the Licensing Board. There has been no change to these arrangements during 2015/16.

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 21 June 2007, and details are available on the Council's website at: [www.clacksweb.org.uk](http://www.clacksweb.org.uk) under 'Elected Members' Remuneration'.

**Joint Boards**

The Valuation Joint Board was the only joint board existing during 2015/16 as was the case 2014/15.

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 £3,138 in 2015/16 (2014/15: £2,859).

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/148 sets the amount of salary for the Chief Executive of Clackmannanshire Council for the period 2015/16 to 2016/17. 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**

<b>Position</b>	<b>Post Holder</b>	<b>Total Remuneration 2015/16 £</b>	<b>Total Remuneration 2014/15 £</b>
Leader of the Council (until 2 November 2014)	Gary Womersley	-	15,991
Leader of the Council (from 3 November 2014)	Leslie Sharp	28,106	11,417
Provost and Vice Convenor Housing, Health & Care	Tina Murphy	20,330	20,272
<b>Sub Total Leader and Provost</b>		<b>48,436</b>	<b>47,680</b>

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

<b>Position</b>	<b>Post Holder</b>	<b>Total Remuneration 2015/16 £</b>	<b>Total Remuneration 2014/15 £</b>
Convenor Housing, Health and Care, Depute Provost 2 (from 15 May 2014 until 17 December 2014) & Vice Convenor Licensing Board	Leslie Sharp	-	11,381
Portfolio Holder – Vice Convenor Enterprise & Environment, Depute Provost 1	Irene Hamilton	18,296	18,244
Portfolio Holder – Convenor Enterprise & Environment, Depute Provost 2 (from 17 May 2012 until 14 May 2014) then Depute Leader of the Council (from 15 May 2014)	Donald Balsillie	18,296	18,244
Convenor of Planning (formerly) Regulatory Committee	Alastair Campbell	18,296	18,244
Convenor of Regulatory, Convenor of Licensing Board, Vice Convenor Workforce, Vice Convenor Education, Sport and Leisure	Walter McAdam	18,817	18,631
Portfolio Holder – Convenor Workforce, Depute Leader (from 17 May 2012 until 14 May 2014) Vice Convenor Valuation Joint Board & Depute Provost 2 (from 18 December 2014)	Craig Holden	-	2,324
Convenor Resources and Audit	Archibald Drummond	18,817	18,631
Convenor Education, Sport and Leisure	Ellen Forson	18,296	18,244
Portfolio Holder for Partnership Equality and Diversity (from 15 May 2014)	Kenny Earle	18,816	16,394
<b>Sub Total Senior Councillors</b>		<b>126,634</b>	<b>140,337</b>
Valuation Joint Board, Vice Convenor	Craig Holden	<b>3,138</b>	<b>2,859</b>

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**Notes to Table 1**

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1. There were no Taxable Expenses or Benefits other than in cash paid to any of the Senior Councillors in 2015/16 or 2014/15.
2. During 2015/16 there was no change to the administration of the Council. There were no mid year appointments to senior positions.
3. On a voluntary basis a reduction of 2.77% has been applied to Councillors who voluntarily elected to take the reduction in remuneration effective 1 July 2014 (9 months). Any reductions agreed have been accounted for in the 2014/15 figures with full year reduction for 2015/16.
4. Councillor Holden was appointed to the position of Depute Provost 2 from 18 December 2014, but is not remunerated as a Senior Councillor.
5. Payments to Senior Councillors are inclusive of additional payments made by the Council in respect of Members serving on Joint Boards. For 2015/16 the amount recharged to the Valuation Joint Board for additional payments was £3,138 (2014/15: £2,859). This amount is recovered from the Joint Board.
6. Councillor Sharp's remuneration includes £1,000 (2014/15: £1,000) for serving on the Association of Public Service Excellence (APSE). This amount is recovered from the organisation.
7. Councillor Sharp received remuneration from NHS Forth Valley totalling £8,008 for serving on the regional Health Board during 2015/16. (2014/15: Councillor Womersley £4,739 and Councillor Sharp £3,269). As this is paid directly by the NHS, the sums are not included above but are disclosed in the published 2015/16 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 has 18 Councillors in total who serve under the following structure:

Leader of the Council	1
Provost/Civic Head	1
Senior Councillors	8
Councillors	8
	—
<b>Total Councillors</b>	<b>18</b>

As at 31 March 2016 there is one vacant allowance or a Senior Councillor position as the Leader of the Council 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**

<b>Type of Remuneration</b>	<b>2015/16</b>	<b>2014/15</b>
	£	£
Salaries	327,572	327,776
Employer's NIC and Pension	67,328	67,894
Expenses	7,802	7,784
	—	—
<b>Total</b>	<b>402,702</b>	<b>403,454</b>
	—	—

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**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 £8,008 paid directly to Councillor Sharp in respect of serving on NHS Forth Valley Health Board (2014/15: £4,379 to Councillor Womersley and £3,269 to Councillor Sharp).

The annual return of Councillors' salaries and expenses for 2015/16 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's web site [www.clacksweb.org.uk](http://www.clacksweb.org.uk) under 'Remuneration to Elected members'.

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**Table 3**

**Remuneration of Senior Employees of the Council**

Name and Post Title	Total Remuneration 2015/16  £	Total Remuneration 2014/15 Restated  £
Elaine McPherson – Chief Executive	97,749	96,990
Elaine McPherson – Returning Officer (European Election May 2014 and Scottish Independence Referendum 18 September 2014, UK Parliamentary Election 7 May 2015)	3,244	4,000
Nikki Bridle – Director of Finance and Corporate Services (until 3 June 2014) then Depute Chief Executive (from 4 June 2014)	88,065	86,759
Nikki Bridle – Depute Returning Officer (European Election May 2014 and Scottish Independence Referendum 18 September 2014, UK Parliamentary Election 7 May 2015)	500	1,000
Garry Dallas – Director (until 4 June 2014) then Executive Director (from 5 June 2014)	84,610	83,953
Stuart Crickmar – Head of Strategy & Customer Services	69,045	68,510
Val De Souza – Head of Social Services, Clackmannanshire and Stirling Councils	79,431	78,815
David Leng – Head of Education, Clackmannanshire and Stirling Councils	92,668	91,318
Ahsan Khan – Head of Housing and Community Safety	65,602	68,671
Gordon McNeil – Head of Development and Environmental Services (from 3 June 2014)	69,045	42,241
Stephen Coulter – Head of Resources and Governance (from 24 September 2014)	69,045	30,538
Philip Gillespie – Assistant Head of Social Services for Clackmannanshire and Stirling Councils (from 26 May 2014)	67,310	56,521
Liam Purdie – Assistant Head of Social Services for Clackmannanshire and Stirling Councils	67,310	66,815
Shiona Strachan – Stirling and Clackmannanshire Health and Social Care Partnership Chief Officer (from 1 July 2015)	66,598	-
<b>Total</b>	<b>920,222</b>	<b>776,131</b>

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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 1.5% from 1 April 2015 is included in the 2015/16 figures.
3. The Chief Executive remuneration is in line with the first year of the two year national agreement between Scottish Joint Negotiating Committee (SJNC) and Association of Local Authority Chief Executives (ALACE) which includes a 1.5% pay award for 2015/16 £100,534. The actual remuneration paid to the Chief Executive of £97,749 includes a voluntary reduction of 2.77%.
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 General Election (7 May 2015) were £3,244 and £500 respectively. For 2014/15 the European Election (25 May 2014) and the Scottish Independence Referendum (18 September 2014) payments 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 2015/16.
7. Clackmannanshire Council's share of the total remuneration figures for Val De Souza arising from her joint management responsibilities as Head of Social Services for Clackmannanshire and Stirling Councils for 2015/16 is £39,716 (2014/15: £39,408).
8. Clackmannanshire Council's share of the total remuneration figures for David Leng arising from his joint management responsibilities as Head of Education for Clackmannanshire and Stirling Councils for 2015/16 is £46,334 (£2014/15: £45,659).
9. 2014/15 has been restated to include Liam Purdie and Philip Gillespie, appointed as Assistant Heads of Social Services for Clackmannanshire and Stirling Councils on 6 January 2014 and 26 May 2014 respectively. Omitted in error from 2014/15 Remuneration Report.



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**Notes to Table 3 (continued)**

**Notes to Remuneration of Senior Employees of the Council (continued)**

10. Shiona Strachan was appointed as Chief Officer for Stirling and Clackmannanshire Health and Social Care Partnership on 1 July 2015. Costs in the above table represent the salary payable from this date to 31 March 2016. The Health and Social Care Partnership was formally formed on 1 October 2015 and costs from this date will be met by the Partnership.

11. Total remuneration is for salaries, fees and allowances.

**General Disclosure by Pay Band**

**Table 4**

Remuneration Band	Number of Employees	
	2015/16	2014/15
£50,000 - £54,999	31	22
£55,000 - £59,999	14	18
£60,000 - £64,999	3	3
£65,000 - £69,999	6	3
£70,000 - £74,999	2	2
£75,000 - £79,999	2	1
£80,000 - £84,999	1	1
£85,000 - £89,999	1	1
£90,000 - £94,999	-	-
£95,000 - £99,999	1	1
	61	52
	—	—

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**General Disclosure by Pay Band (continued)**

**Notes to table 4**

1. Annual increments and the 1.5% pay award has increased the number of employees falling into bands £50,000 - £54,999.
2. Full year effect of appointments made during 2014/15 have decreased numbers in £55,000 - £59,999 and increased numbers in band £65,000 - £69,999.

**Pension Benefits**

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

The LGPS in Scotland changed on 1 April 2015 to a Career Average Revalued Earnings (or CARE) scheme. In a CARE scheme the pensionable pay for each year of membership is used to calculate a pension amount for that particular year. The pension amount is increased (revalued) each year in line with inflation. These individual pension amounts are then added together to arrive at the total pension payable from the scheme.

LGPS is still classed as a defined benefit scheme.

From 1 April 2015 Councillors and local government employees will be in the same pension scheme although there are some provisions of the LGPS 2015 that do not apply to Councillors.

Councillors' pension benefits built up to 31 March 2015 are protected.

Local Government employee pensions to 31 March 2015 are protected and worked out on final pay when leaving. 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 to 31 March 2015.

From 1 April 2015 the normal retirement age will be the same as an individual's state pension age with a minimum of age 65.

From 1 April 2015 contribution rates were detailed in table 5

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**Table 5**

<b>Whole time pay 2015/16 (2014/15)</b>	<b>Contribution rate 2015/16*</b>	<b>Contribution rate 2014/15*</b>
On earnings up to and including £21,102 (£20,500)	5.5%	5.5%
On earnings above £21,102 and up to £27,397 (£20,500/£25,000)	Between 5.6% and 6.0%	7.25%
On earnings above £27,397 and up to £34,415 (£25,000/£34,400)	Between 6.1% and 6.5%	8.5%
On earnings above £34,415 and up to £48,544 (£34,400/£45,800)	Between 6.6% and 7.5%	9.5%
On earnings above £48,544 and up to £54,689 (£45,800)	Between 7.6% and 8.0%	12%
On earnings above £54,689 and up to £73,228	Between 8.1% and 9.0%	-
On earnings above £73,228 and up to £110,782	Between 9.1% and 10.0%	-
On earnings above £110,782	10.1% and over	-

\*Source: Scottish Public Pensions Agency, Contributions.

If a person works part-time their contribution rate is worked out on their actual pensionable pay and matched to the appropriate band in the contribution table.

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. From 1 April 2015 the accrual rate guarantees an annual credit to members' Pension Accounts based on 1/49 of pensionable pay received in that scheme year.

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 2016 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 2016 £	For Year to 31 March 2015 £	As at 31 March 2016 £000		Difference from 31 March 2015 £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)	5,692	4,469	Pension	5	-
Tina Murphy Provost and Vice Convenor Housing Health and Care	4,269	4,175	Pension Lump Sum	3 2	- -
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)	3,842	3,740	Pension Lump Sum	3 1	1 -
Alastair Campbell Convenor of Planning (from 17 May 2012)	-	1,264	Pension Lump Sum	- -	-2 -1
Irene Hamilton Portfolio holder – Vice Convenor Enterprise & Environment (from 1 June 2012) Depute Provost 1 (from 17 May 2012)	3,842	3,789	Pension Lump Sum	3 1	1 -

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**Senior Councillors (continued)**

Name and Post Title	In-Year Pension Contributions		Accrued pension Benefits		
	For Year to 31 March 2016 £	For Year to 31 March 2015 £	As at 31 March 2016 £000		Difference from 31 March 2015 £000
Ellen Forson Convenor Education Sports and Leisure (from 1 June 2012)	3,842	3,740	Pension	1	-
Kenny Earle Portfolio Holder to Partnership Equality & Diversity (from 15 May 2014)	3,952	3,774	Pension	2	-
Gary Womersley Leader of the Council (until 2 November 2014)	3,415	4,632	Pension Lump Sum	3 2	-
<b>Total</b>	<b>28,854</b>	<b>29,583</b>		<b>26</b>	<b>-1</b>

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 2016 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 2016 £	For Year to 31 March 2015 Restated £	As at 31 March 2016 £000	Difference from 31 March 2015 £000	
Elaine McPherson Chief Executive	21,209	19,883	Pension Lump Sum	38 79	2 -
Nikki Bridle Director of Finance & Corporate Services (from 1 July 2010 until 3 June 2014) then Depute Chief Executive (from 4 June 2014)	18,494	17,786	Pension Lump Sum	29 54	3 1
Garry Dallas Director of Services to Communities (until 4 June 2014) then Executive Director (from 5 June 2014)	17,768	17,210	Pension Lump Sum	37 81	2 1
Stuart Crickmar Head of Strategy & Customer Services	14,499	14,044	Pension Lump Sum	23 43	2 -
David Leng Joint Head of Education, Clackmannanshire and Stirling Councils (from 30 September 2013)	19,460	18,720	Pension	4	2
Val De Souza Acting Head of Social Services, Clackmannanshire and Stirling Councils (from 28 September 2012). Appointed to Head of Service (4 November 2013)	16,681	16,157	Pension Lump Sum	22 37	2 -
Ahsan Khan Head of Housing and Community Safety (from 8 July 2013)	14,499	14,078	Pension	3	1

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**Senior Employees (continued)**

Name and Post Title	In-Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31 March 2016 £	For Year to 31 March 2015 Restated £	As at 31 March 2016 £000	Difference from 31 March 2015 £000	
Gordon McNeil Head of Development and Environmental Services (from 3 June 2014)	14,499	8,660	Pension	2	1
Stephen Coulter Head of Resources and Governance (from 24 September 2014)	14,499	6,260	Pension	2	1
Philip Gillespie Assistant Head of Social Services (from May 2014)	14,135	11,587	Pension	2	1
Liam Purdie Assistant Head of Social Services (from January 2014)	14,135	13,697	Pension Lump Sum	24 48	2 1
Shiona Strachan Stirling and Clackmannanshire Health and Social Care Partnership Chief Officer (from 1 July 2015)	13,986	-	Pension	1	1
<b>Total</b>	<b>193,864</b>	<b>158,082</b>		<b>529</b>	<b>23</b>

**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.

**CLACKMANNANSHIRE COUNCIL**  
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**Notes to table 7 (continued)**

3. Where staff are not in employment with Clackmannanshire Council at 31 March 2016 or are no longer a relevant senior employee at this date, there is no increase in accrued pension benefit attributable.
4. The amounts included for Shiona Strachan relate to her start date and pension joining date of 1 July 2015 up to 31 March.
5. The above note has been restated to include Philip Gillespie and Liam Purdie, Assistant Heads of Social Services.

**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 2015/16 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.



**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
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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 by Cost band (£)	
	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	50	40	258,060	150,586
£20,001 - £40,000	8	2	231,893	52,681
£40,001 - £60,000	6	3	307,579	141,977
£60,001 - £80,000	6	-	397,274	-
£80,001 - £100,000	3	-	268,808	-
£100,001 - £150,000	<u>5</u>	<u>1</u>	<u>574,189</u>	<u>106,475</u>
<b>Total</b>	<b>78</b>	<b>46</b>	<b>2,037,803</b>	<b>451,719</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
*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 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement and Notes to the Financial Statements, as well as supplementary financial statements, including the Housing Revenue Accounts, Council Tax Income Accounts, Non-Domestic Rates Income Accounts and Common Good Accounts 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 2015/16 (the 2015/16 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 Deputy Chief Executive and auditor**

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

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Depute Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual accounts 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.

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
*Independent Auditor's Report*

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the council as at 31 March 2016 and of the income and expenditure of the council 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 2015/16 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.

**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 for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement 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.

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
*Independent Auditor's Report*

**Matters on which we are required to report by exception (continued)**

We have nothing to report in respect of these matters.

James Boyle, CA (for and on behalf of Deloitte LLP)  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2DB  
United Kingdom

15 September 2016

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**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 2015/16**  
***Core Financial Statements***

**Group Financial Statements**

The Council has an interest in the following bodies but on the basis of materiality, no group accounts have been prepared:

- 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.

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**Movement in Reserves Statement**  
**For the year ended 31<sup>st</sup> March 2016**

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

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**Movement in Reserves Statement**  
**For the year ended 31<sup>st</sup> March 2016**

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Grants Unapplied Account £000	<b>Total Usable Reserves £000</b>	Unusable Reserves £000	<b>Total Reserves £000</b>
<b>Balance at 31 March 2015</b>	<b>11,609</b>	<b>1,949</b>	<b>2,946</b>	<b>1,293</b>	<b>160</b>	<b>17,957</b>	<b>61,809</b>	<b>79,766</b>
<b>Movement in Reserves during 2015/16</b>								
Surplus or (deficit) on provision of Services	122	(388)	-	-	-	(266)	-	(266)
Other Comprehensive Income and Expenditure	—	—	—	—	—	—	<u>36,887</u>	<u>36,887</u>
<b>Total Comprehensive Income and Expenditure</b>	<b>122</b>	<b>(388)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(266)</b>	<b>36,887</b>	<b>36,621</b>
Adjustments between accounting basis & funding basis under regulations <b>(Note 6)</b>	376	(851)	1,092	-	169	786	(786)	-
<b>Net Increase or (Decrease) before Transfers to Earmarked Reserves</b>	<b>498</b>	<b>(1,239)</b>	<b>1,092</b>	<b>-</b>	<b>169</b>	<b>520</b>	<b>36,101</b>	<b>36,621</b>
Transfers to/from Earmarked Reserves <b>(Note 7)</b>	1,928	-	(1,890)	(38)	--	-	-	-
<b>Increase or (decrease) in 2015/16</b>	<b>2,426</b>	<b>(1,239)</b>	<b>(798)</b>	<b>(38)</b>	<b>169</b>	<b>520</b>	<b>36,101</b>	<b>36,621</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>14,035</b>	<b>710</b>	<b>2,148</b>	<b>1,255</b>	<b>329</b>	<b>18,477</b>	<b>97,910</b>	<b>116,387</b>



**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**Comprehensive Income and Expenditure Statement**  
**For the year ended 31 March 2016**

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.

2014/15				2015/16		
Gross Expenditure	Gross Income	Net Expenditure /(Income)		Gross Expenditure	Gross Income	Net Expenditure /(Income)
£000	£000	£000		£000	£000	£000
3,423	(1,168)	2,255	Central Services to the Public	3,205	(671)	2,534
9,342	(2,481)	6,861	Cultural and Related Services	7,432	(1,934)	5,498
48,961	(3,881)	45,080	Education Services	54,328	(2,203)	52,125
5,662	(1,264)	4,398	Roads and Transport Services	5,544	(1,721)	3,823
53,388	(46,430)	6,958	Housing Services	44,131	(44,146)	(15)
3,582	(1,288)	2,294	Planning and Development Services	2,837	(1,030)	1,807
44,655	(11,464)	33,191	Social Work	45,901	(12,500)	33,401
7,896	(1,079)	6,817	Environmental Services	7,695	(1,099)	6,596
2,779	-	2,779	Corporate and Democratic Core	2,632	-	2,632
269	-	269	Non Distributed Costs	(435)	7	(428)
<b>179,957</b>	<b>(69,055)</b>	<b>110,902</b>	<b>Cost of Services</b>	<b>173,270</b>	<b>(65,297)</b>	<b>107,973</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**Comprehensive Income and Expenditure Statement**  
**For the year ended 31 March 2016**

2014/15				2015/16		
Gross Expenditure	Gross Income	Net Expenditure /(Income)		Gross Expenditure	Gross Income	Net Expenditure /(Income)
£000	£000	£000		£000	£000	£000
893	-	893	Other Operating Expenditure <b>(Note 8)</b>	1,554	-	1,554
13,598	(793)	12,805	Financing and Investment Income and Expenditure <b>(Note 9)</b>	13,665	(691)	12,974
18	(119,808)	<u>(119,790)</u>	Taxation and Non-Specific grant Income <b>(Note 10)</b>	-	(122,235)	<u>(122,235)</u>
		<b>4,810</b>	<b>Deficit on Provision of Services (Note 11)</b>			<b>266</b>
		(51,446)	Surplus on revaluation of non-current assets <b>(Note 26)</b>			(2,434)
		5,936	Impairment losses on non-current assets charged to the revaluation reserve <b>(Note 26)</b>			47
		<u>40,079</u>	Actuarial (gains)/losses on pension assets/liabilities <b>(Note 26)</b>			<u>(34,500)</u>
		<b><u>(5,431)</u></b>	<b>Other Comprehensive Income and Expenditure</b>			<b><u>(36,887)</u></b>
		<b><u>(621)</u></b>	<b>Total Comprehensive Income and Expenditure</b>			<b><u>(36,621)</u></b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
*Balance Sheet as at 31<sup>st</sup> March 2016*

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 2015**

**31 March 2016**

<b>£000</b>		<b>Note</b>	<b>£000</b>
352,220	Property, Plant & Equipment	12	353,561
835	Heritage Assets	13	835
5,481	Investment Properties	14	5,308
565	Intangible Assets	15	770
7,883	Long-Term Investments	16	7,883
<u>2</u>	Long-Term Debtors		<u>2</u>
<b>366,986</b>	<b>Non-Current Assets</b>		<b>368,359</b>
324	Investment Properties held for Sale	17	288
1,499	Assets held for Sale	17	849
520	Inventories	18	513
15,764	Short-Term Debtors	19	14,794
848	Short-Term Investments	20	3,015
<u>20,229</u>	Cash and Cash Equivalents	20	<u>3,665</u>
<b>39,184</b>	<b>Current Assets</b>		<b>23,124</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
*Balance Sheet as at 31<sup>st</sup> March 2016*

**31 March 2015**

**31 March 2016**

<b>£000</b>		<b>Note</b>	<b>£000</b>
(19,543)	Short-Term Borrowing	23	(8,886)
(23,214)	Short-Term Creditors	21	(17,859)
<u>(926)</u>	Provisions	22	<u>(429)</u>
<b>(43,683)</b>	<b>Current Liabilities</b>		<b>(27,174)</b>
(255)	Provisions	22	(177)
(102,658)	Long-Term Borrowing	23	(96,451)
<u>(179,808)</u>	Other Long-Term Liabilities	24	<u>(151,294)</u>
<b>(282,721)</b>	<b>Long-Term Liabilities</b>		<b>(247,922)</b>
<u>79,766</u>	<b>Net Assets</b>		<u>116,387</u>
17,957	Usable Reserves		18,477
<u>61,809</u>	Unusable Reserves	26	<u>97,910</u>
<b>79,766</b>	<b>Total Reserves</b>		<b>116,387</b>

The unaudited financial statements were issued on 23 June 2016 and the audited financial statements were authorised for issue on 15 September 2016.

**Nikki Bridle**  
**Depute Chief Executive**  
**15 September 2016**

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**Cash Flow Statement**  
**For the year ended 31 March 2016**

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.

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
(4,810)	Net (deficit) on the provision of services	(266)
38,066	Adjustments to net deficit on the provision of services for non-cash movements	22,229
<u>(23,949)</u>	Adjustments for items included in the net deficit of the provision of services that are investing and financing activities	<u>(12,156)</u>
<b>9,307</b>	<b>Net cash flows from Operating Activities (Note 27)</b>	<b>9,807</b>
2,278	Investing Activities (Note 28)	(8,300)
<u>282</u>	Financing Activities (Note 29)	<u>(18,071)</u>
<b>11,867</b>	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(16,564)</b>
8,362	Cash and Cash equivalents at the beginning of the reporting year (Note 20)	20,229
<u><b>20,229</b></u>	<b>Cash and Cash equivalents at the end of the reporting year (Note 20)</b>	<u><b>3,665</b></u>

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

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**Note 1 - Accounting Policies**

**a) General Principles**

The Annual Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Annual 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;



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**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.

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**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.

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**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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**Notes to the Financial Statements**

**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 a 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.

**CLACKMANNANSHIRE COUNCIL**  
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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 Annual Accounts are 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 Annual accounts are adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Annual Accounts are 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.

**CLACKMANNANSHIRE COUNCIL**  
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**Notes to the Financial Statements**

**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.

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**Notes to the Financial Statements**

**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.

**CLACKMANNANSHIRE COUNCIL**  
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**Notes to the Financial Statements**

**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.



**CLACKMANNANSHIRE COUNCIL**  
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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.

**CLACKMANNANSHIRE COUNCIL**  
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**Notes to the Financial Statements**

**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.

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**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.

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**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).

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**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**  
**ANNUAL ACCOUNTS 2015/16**  
**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 2015/16*' (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.

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**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**

For 2015/16 the Council adopted IFRS13 - Fair Value Measurement. 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. This standard would apply to all property, plant and equipment assets, however, as the purpose of a local authority acquiring and holding an asset is to deliver services it is the service potential which is the primary concern. On this basis the Code has adapted IAS16 - Property Plant and Equipment and introduced a new definition of current value to require that operational local authority property, plant and equipment assets will continue to be measured for their service potential and not fair value.

From 2015/16 all non operational property, plant and equipment (i.e. surplus assets) require to be measured at fair value (highest and best use) in accordance with IFRS13.

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.

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**Note 1 - Accounting Policies (continued)**

**q) Property, Plant and Equipment (continued)**  
**Measurement (continued)**

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

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

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

Non-HRA assets included in the Balance Sheet at fair value are reviewed annually to ensure that their carrying amount is not materially different from their fair value at the year-end. HRA assets are reviewed at least every five years, the last major review being at 1st April 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.



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**Note 1 - Accounting Policies (continued)**

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

**Measurement (continued)**

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

**Impairment**

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Depreciation**

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

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**Note 1 - Accounting Policies (continued)**

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

**Depreciation (continued)**

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (up to 40 years);
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (i.e. up to 15 years);
- infrastructure – straight-line allocation over 60 years; and
- there is no depreciation charged in year of purchase but a full year charge made in year of sale.

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

**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.

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**Note 1 - Accounting Policies (continued)**

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

**Disposals**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

**CLACKMANNANSHIRE COUNCIL**  
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**Note 1 - Accounting Policies (continued)**

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

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

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

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

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

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- **finance cost** – an interest charge of 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.

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**Note 1 - Accounting Policies (continued)**

**s) Provisions, Contingent Liabilities and Contingent Assets**

**Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation where it is probable that settlement by a transfer of economic benefits or service potential will be required, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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**Note 1 - Accounting Policies (continued)**

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

**Contingent Assets**

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

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

**t) Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes below.

**u) Revenue Expenditure Funded from Capital under Statute**

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

**v) VAT**

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

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**Note 2 - Changes to Accounting Standards**

**Accounting Standards Adopted in the Year**

The following new Standards, Amendments and Interpretations became effective in 2015/16 for the first time:

- IFRS13 Fair Value Measurement (May 2011) - 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;
- IFRIC 21 Levies - provides guidance on when to recognise a liability for a levy imposed by a government;
- Annual Improvements to IFRS 2011-2013 Cycle - IFRS improvements are generally minor, principally providing clarification; and
- IAS36 Impairment of Assets (amended) – measurement of the recoverable amount of impaired assets based on Fair Value less costs of disposal.

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 2016/17 Code to which this applies are listed below:

- Amendments to IAS 19 Employee Benefits (defined benefits plans: employee contributions) – issued November 2013;
- Annual Improvements to IFRS's 2010-2012 Cycle – issued December 2013;
- Amendment to IFRS 11 Joint Arrangements (accounting for acquisitions of interests in joint operations) – May 2014;
- Amendment to IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets (clarification of acceptable methods of depreciation and amortisation) – May 2014;
- Annual Improvements to IFRS's 2012-2014 Cycle – issued September 2014;
- Amendment to IAS1 Presentation of Financial Statements – issued December 2014;
- Changes to format of Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and introduction of the new Expenditure and Funding Analysis;
- Changes to Pension Fund Account and Net Assets Statement; and
- IFRS16 Leases

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**Note 2 - Changes to Accounting Standards (continued)**

The Code requires implementation from 1 April 2016 and therefore there is no impact on the information provided in the 2015/16 financial statements.

It is anticipated that these amendments will not have a material impact on the information provided in the 2016/17 financial statements however the comparator 2015/16 Comprehensive Income and Expenditure Statement and Movement in Reserves Statement will be reflected in the new format.

**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.



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**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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance That will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets.</p> <p>Assets included in the balance sheet at fair value are reviewed on a five yearly cycle. An annual review of significant assets is also carried out to ensure there is no material difference between the carrying amount from their fair value at year end.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings and Council houses would increase by £157k and £346k respectively for every year that useful lives had to be reduced.</p>
Provisions	<p>The Council has a provision of £0.124m 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<sup>nd</sup> and 3<sup>rd</sup> wave claims which have been lodged at estimated average settlement values.</p>	<p>If the impact of new claims exceed the earmarked reserve allocation, then further funding may be required which cannot be quantified at this time.</p>
Arrears – Council Tax	<p>At 31 March 2016 the Council had Council Tax debt outstanding of £10.531m. A review of outstanding balances suggested that an allowance for doubtful debts of £7.559m was appropriate resulting in a coverage of 72% for doubtful debts. However, in the current economic climate such an allowance might not be sufficient.</p>	<p>If collection rates were to deteriorate and the provision had to be increased, for every 5% increase in the provision then a further contribution of £527k would be required.</p>

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

Arrears – Sundry Debtors	At 31 March 2016 the Council had a balance of sundry debtors of £3.311m. A review of outstanding balances suggested that an allowance for doubtful debts of £970k 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 £166k 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 £37.048m.
Housing Rent Arrears	At 31 March 2016 the Council had Housing Rent Arrears of £1.374m. A review of outstanding balances suggested that an impairment for irrecoverable rents of £1.093m was appropriate resulting in a coverage of 80% 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 £37k to £1.130m increasing the % coverage for doubtful debts to 82%.

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**Note 5 – Events After the Reporting Period**

The Audited Financial Statements were authorised for issue by the Depute Chief Executive on 15 September 2016. Where events taking place before this date provided information about conditions existing at 31 March 2016, 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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**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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**Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)**  
**2015/16**

			Usable Reserves			
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Insurance Fund £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u></b>						
Charges for depreciation and impairment of non-current assets	(6,555)	(6,805)	-	-	-	13,360
Movements in the fair value of investment assets	(178)	-	-	-	-	178
Amortisation of intangible assets	(186)	-	-	-	-	186
Capital grants and contributions applied	6,626	1,163	-	-	-	(7,789)
Revenue funded Capital Expenditure under Statute	(133)	-	-	-	-	133
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(2,384)	(1,869)	-	-	-	4,253
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u></b>						
Statutory provision for the financing of capital investment	6,855	1,483	-	-	-	(8,338)
Capital expenditure charged against the General Fund and HRA balances	21	6,553	-	-	-	(6,574)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital Grants and contribution unapplied credited to the CIES	169	-	-	(169)	-	-
Application of Grants to Capital Financing	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the CIES	1,092	1,607	(2,699)	-	-	-

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

2015/16 (continued)

	General Fund Balance £000	Housing Revenue Account £000	Usable Reserves Capital Receipts Reserve £000	Capital Grants Unapplied £000	Insurance Fund £000	Movement in Unusable Reserves £000
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,607	-	-	(1,607)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>						
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)
<b>Adjustments involving the Pension Reserve</b>						
Reversal of items relating to post employment benefits debited or credited to the Provision of Services in the CIES (see Note 41)	(16,211)	(632)	-	-	-	16,843
Employer's pensions contributions and direct payments to pensioners payable in the year	10,155	(616)	-	-	-	(9,539)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
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	143	(33)	-	-	-	(110)
<b>Total Adjustments</b>	<b>(376)</b>	<b>851</b>	<b>(1,092)</b>	<b>(169)</b>	<b>-</b>	<b>786</b>

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

	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u></b>					
Charges for depreciation and impairment of non-current assets	(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
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u></b>					
Statutory provision for the financing of capital investment	6,790	1,372	-	-	(8,162)
Capital expenditure charged against the General Fund and HRA balances	12	5,889	-	-	(5,901)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>					
Capital Grants and contribution unapplied credited to the CIES	160	-	-	(160)	-
<b>Adjustments primarily involving the Capital Receipts Reserve</b>					
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the CIES	368	847	(1,215)	-	-



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

2014/15 (continued)

	<b>General Fund Balance £000</b>	<b>Housing Revenue Account £000</b>	<b>Usable Reserves Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movement in Unusable Reserves £000</b>
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	420	-	(420)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>					
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)
<b>Adjustments involving the Pension Reserve</b>					
Reversal of items relating to post employment benefits debited or credited to the Provision of Services in the CIES (see Note 41)	(14,180)	(156)	-	-	14,336
Employer's pensions contributions and direct payments to pensioners payable in the year	8,991	(207)	-	-	(8,784)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>					
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
<b>Total Adjustments</b>	<b>2,737</b>	<b>(4,691)</b>	<b>(795)</b>	<b>(160)</b>	<b>2,909</b>

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**Note 7 – Transfers to/from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for the future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA Expenditure in 2015/16.

	<b>General Fund £000</b>	<b>HRA £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Insurance Fund £000</b>
Net Transfer from Insurance Fund to General Fund	38	-	-	(38)
Transfer from Capital Receipts to Fund PPP	1,890	-	(1,890)	-
<b>Total</b>	<b>1,928</b>	<b>-</b>	<b>(1,890)</b>	<b>(38)</b>
<b>2014/15</b>				
	<b>General Fund £000</b>	<b>HRA £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Insurance Fund £000</b>
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)	-
<b>Total</b>	<b>1,028</b>	<b>-</b>	<b>(1,555)</b>	<b>59</b>

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**Note 8 – Other Operating Expenditure**

This note provides detail regarding the Other Operating Expenditure line within the Comprehensive Income and Expenditure Statement on page 72.

	<b>2014/15</b> <b>£000</b>	<b>2015/16</b> <b>£000</b>
Losses on the disposal of non-current assets	-	1,554
Losses on the change in fair value of assets held for sale	893	-
	—	—
<b>Total</b>	<b>893</b>	<b>1,554</b>
	—	—

**Note 9 – Financing and Investment Income and Expenditure**

This note provides detail regarding the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement on page 72.

	<b>2014/15</b> <b>£000</b>	<b>2015/16</b> <b>£000</b>
Interest payable and similar charges	9,307	9,106
Net Interest on the Net Defined Benefit Liability	3,896	4,381
Interest receivable and similar income	(575)	(472)
Changes in the carrying value of LOBO (Lender Options Borrower Options) loans	(6)	(6)
Revaluation of Investment Property – Note 14 and Note 6	395	178
Rental Income from Investments	(212)	(213)
	—	—
<b>Total</b>	<b>12,805</b>	<b>12,974</b>
	—	—

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**Note 10 – Taxation and Grant Income**

This note provides detail regarding the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement on Page 72

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax	18,341	18,658
Grant allocation for Council Tax Reduction Scheme	3,526	3,520
Non-Domestic Rate Income distributed by pool	12,918	15,853
Non-Domestic Rate Income Retained by Authority (BRIS)	(18)	-
Non-ring fenced government grants	79,795	78,275
Capital grants and contributions	5,228	5,929
<b>Total</b>	<b>119,790</b>	<b>122,235</b>

**Net Cost of Services within the Comprehensive Income and expenditure Account**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Services</b>		
DWP grant for Benefits	18,757	18,840
Criminal Justice	1,410	1,417
Other revenue grants (including EMA and Home Insulation Scheme)	4,791	3,055
Other Capital Grants & Contributions	7,346	1,869
<b>Total</b>	<b>32,304</b>	<b>25,181</b>

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**Note 11 – Amounts Reported for Resource Allocation Decisions**

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

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

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**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 2015/16**

	Executive Team	Strategy & Customer Services	Resources & Social Governance Services		Education	Development & Environmental	General Fund Housing	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(7)	(1,324)	(2,916)	(10,796)	(2,080)	(5,078)	(3,250)	(19,653)	(45,104)
Government Grants	-	-	(82)	(2,008)	(838)	(413)	(19,419)	-	(22,760)
<b>Total Income</b>	<b>(7)</b>	<b>(1,324)</b>	<b>(2,998)</b>	<b>(12,804)</b>	<b>(2,918)</b>	<b>(5,491)</b>	<b>(22,669)</b>	<b>(19,653)</b>	<b>(67,864)</b>
Employee Expenses	359	5,904	7,401	14,407	33,438	7,323	2,103	6,311	77,246
Other Operating Expenses	73	1,042	16,561	27,751	4,548	8,481	22,444	3,548	84,448
<b>Total Operating Expenses</b>	<b>432</b>	<b>6,946</b>	<b>23,962</b>	<b>42,158</b>	<b>37,986</b>	<b>15,804</b>	<b>24,547</b>	<b>9,859</b>	<b>161,694</b>
<b>Net Cost of Services</b>	<b>425</b>	<b>5,622</b>	<b>20,964</b>	<b>29,354</b>	<b>35,068</b>	<b>10,313</b>	<b>1,878</b>	<b>(9,794)</b>	<b>93,830</b>

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

**Portfolio Income and Expenditure 2014/15**

	Executive Team	Strategy & Customer Services	Resources & Social Governance		Services Education	Development & Environmental	General Fund Housing	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other									
Service Income	-	(1,180)	(3,699)	(9,740)	(2,090)	(5,471)	(3,706)	(19,602)	<b>(45,488)</b>
Government Grants	-	-	(367)	(1,963)	(315)	(470)	(20,956)	-	<b>(24,071)</b>
<b>Total Income</b>	<b>-</b>	<b>(1,180)</b>	<b>(4,066)</b>	<b>(11,703)</b>	<b>(2,405)</b>	<b>(5,941)</b>	<b>(24,662)</b>	<b>(19,602)</b>	<b>(69,559)</b>
Employee Expenses	353	6,221	8,946	13,847	32,461	7,790	1,320	6,266	<b>77,204</b>
Other Operating Expenses	56	788	17,753	26,016	4,218	8,964	25,330	4,257	<b>87,382</b>
<b>Total Operating Expenses</b>	<b>409</b>	<b>7,009</b>	<b>26,699</b>	<b>39,863</b>	<b>36,679</b>	<b>16,754</b>	<b>26,650</b>	<b>10,523</b>	<b>164,586</b>
<b>Net Cost of Services</b>	<b>6,147</b>	<b>5,829</b>	<b>22,633</b>	<b>28,160</b>	<b>34,274</b>	<b>10,813</b>	<b>1,988</b>	<b>(9,079)</b>	<b>95,027</b>

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

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

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Cost of Services in Service Analysis	95,027	93,830
Add amounts not reported in service management accounts (1)*	15,875	14,143

**Net Cost of Services in Comprehensive Income and Expenditure Statement**

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

	<b>110,902</b>	<b>107,973</b>
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**Reconciliation to Subjective Analysis 2015/16**

	<b>Service Analysis</b>	<b>Not Reported In Service Management A/cs</b>	<b>Net Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges & other service income	(45,104)	(4,780)	(49,884)	-	(49,884)
Interest and Investment income	-	(23)	(23)	(691)	(714)
Income from Council Tax (incl Statutory Penalties)	-	-	-	(22,178)	(22,178)
Government grants and contributions	(22,760)	(1,777)	(24,537)	(100,057)	(124,594)
<b>Total Income</b>	<b>(67,864)</b>	<b>(6,580)</b>	<b>(74,444)</b>	<b>(122,926)</b>	<b>(197,370)</b>
Employee expenses	77,246	2,820	80,066	-	80,066
Other Service expenses	84,448	3,828	88,276	-	88,276
Joint Board Requisitions	-	351	351	-	351
Depreciation, amortisation and impairment	-	13,724	13,724	178	13,902
Interest payments	-	-	-	13,487	13,487
Gain or loss on disposal of Fixed Assets	-	-	-	1,554	1,554
<b>Total Operating expenses</b>	<b>161,694</b>	<b>20,723</b>	<b>182,417</b>	<b>15,219</b>	<b>197,636</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>93,830</b>	<b>14,143</b>	<b>107,973</b>	<b>(107,707)</b>	<b>266</b>



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

**Reconciliation to Subjective Analysis 2014/15**

	<b>Service Analysis £000</b>	<b>Not Reported In Service Management A/cs £000</b>	<b>Net Cost of Services £000</b>	<b>Corporate Amounts £000</b>	<b>Total £000</b>
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	<u>(24,071)</u>	<u>(7,506)</u>	<u>(31,577)</u>	<u>(97,923)</u>	<u>(129,500)</u>
<b>Total Income</b>	<b>(69,559)</b>	<b>(12,282)</b>	<b>(81,841)</b>	<b>(120,583)</b>	<b>(202,424)</b>
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	-	-	-	<u>55</u>	<u>55</u>
<b>Total Operating expenses</b>	<b><u>164,586</u></b>	<b><u>28,157</u></b>	<b><u>192,743</u></b>	<b><u>14,491</u></b>	<b><u>207,234</u></b>
<b>(Surplus) or deficit on the provision of services</b>	<b><u>95,027</u></b>	<b><u>15,875</u></b>	<b><u>110,902</u></b>	<b><u>(106,092)</u></b>	<b><u>4,810</u></b>

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**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 2015 as amended by subsequent additions and disposals. The Council appointed the District Valuer to conduct its five-yearly valuation of assets during 2014/15, carried out by Frances Hay, MRICS, Senior Valuer. The basis for valuation is set out in the statement of accounting policies.

**Movements on Balances**

**Movements in 2015/16**

	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
<b>Cost or Valuation</b>								
At 1 April 2015	130,936	185,639	18,177	45,374	1,451	192	381,769	94,621
Additions	6,916	1,425	1,337	3,381	2,791	-	15,850	-
Revaluation increases	87	715	-	-	-	-	802	-
Derecognition – Disposals	(2,141)	-	(371)	-	-	(175)	(2,687)	-
Other Movements in Cost or Valuation*	-	(1,569)	-	-	-	-	(1,569)	-
<b>At 31 March 2016</b>	<b>135,798</b>	<b>186,210</b>	<b>19,143</b>	<b>48,755</b>	<b>4,242</b>	<b>17</b>	<b>394,165</b>	<b>94,621</b>

**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 £000	Concession Assets included in Property, Plant & Equipment £000
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2015</b>	6,039	4,666	12,638	6,206	-	-	29,549	92,672
Depreciation charge	6,581	4,882	1,306	769	-	-	13,538	(1,949)
Depreciation written out as part of Revaluations	-	(1,763)	-	-	-	-	(1,763)	-
Derecognition – Disposals	(272)	-	(371)	-	-	-	(643)	-
Other movements in depreciation and impairment*	-	(77)	-	-	-	-	(77)	-
<b>At 31 March 2016</b>	<b>12,348</b>	<b>7,708</b>	<b>13,573</b>	<b>6,975</b>	-	-	<b>40,604</b>	<b>90,724</b>
<b>Net Book Value:</b>								
<b>At 31 March 2016</b>	<b>123,450</b>	<b>178,502</b>	<b>5,570</b>	<b>41,780</b>	<b>4,242</b>	<b>17</b>	<b>353,561</b>	<b>90,724</b>
<b>At 31 March 2015</b>	<b>124,897</b>	<b>180,973</b>	<b>5,539</b>	<b>39,168</b>	<b>1,451</b>	<b>192</b>	<b>352,220</b>	<b>92,672</b>

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

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*Notes to the Financial Statements*

**Note 12 – Property, Plant and Equipment (continued)**  
**Cost or Valuation**

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Assets under Construction</b>	<b>Surplus Assets</b>	<b>Total Property, Plant &amp; Equip</b>	<b>Concession Assets included in Property, Plant &amp; Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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)	-
<b>At 31 March 2015</b>	<b>130,936</b>	<b>185,639</b>	<b>18,177</b>	<b>45,374</b>	<b>1,451</b>	<b>192</b>	<b>381,769</b>	<b>94,621</b>

**CLACKMANNANSHIRE COUNCIL**  
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*Notes to the Financial Statements*

**Note 12 – Property, Plant and Equipment (continued)**

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Assets under Construction</b>	<b>Surplus Assets</b>	<b>Total Property, Plant &amp; Equip</b>	<b>Concession Assets included in Property, Plant &amp; Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Accumulated Depreciation and Impairment</b>								
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)	-
<b>At 31 March 2015</b>	<b>6,039</b>	<b>4,666</b>	<b>12,638</b>	<b>6,206</b>	<b>-</b>	<b>-</b>	<b>29,549</b>	<b>1,949</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>124,897</b>	<b>180,973</b>	<b>5,539</b>	<b>39,168</b>	<b>1,451</b>	<b>192</b>	<b>352,220</b>	<b>92,672</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
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**Note 12 – Property, Plant and Equipment (continued)**

**Capital Commitments**

At 31 March 2016 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £3.72m. Similar commitments at 31 March 2015 were £6.63m. The major commitments are as follows:

HRA Council Housing Roof & Render	£1.87m
HRA Council Housing Central Heating	£0.47m
HRA New Build Council Houses	£0.34m

**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
<b>Cost or Valuation</b>				
1 April 2014	108	650	216	974
Revaluations	7	(150)	4	(139)
<b>31 March 2015</b>	<b>115</b>	<b>500</b>	<b>220</b>	<b>835</b>
<b>Cost or Valuation</b>				
<b>31 March 2016</b>	<b>115</b>	<b>500</b>	<b>220</b>	<b>835</b>

There were no adjustments in the year.

**CLACKMANNANSHIRE COUNCIL**  
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**Notes to the Financial Statements**

**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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**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.



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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.

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Rental Income from Investment	212	213
Direct operating expenses arising from investment property	-	(1)
	<hr/>	<hr/>
<b>Net Gain</b>	<b>212</b>	<b>212</b>
	<hr/>	<hr/>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. These in the main relate to units in industrial estates in Alloa and shops in Sauchie and Tillicoultry.

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

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>5,237</b>	<b>5,481</b>
Additions	5	36
Disposals	-	-
Net (losses) from fair value adjustments	(395)	(178)
Transfers:		
- (to)/from Property Plant and Equipment (Note 12)	393	(31)
- (to)/from Assets Held for Sale (Note 17)	(324)	-
- Other Changes	565	-
	<hr/>	<hr/>
<b>Balance at 31 March</b>	<b><u>5,481</u></b>	<b><u>5,308</u></b>

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**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 £186k charged to revenue in 2015/16 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:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at start of year:</b>		
Gross carrying amounts	1,908	2,029
Accumulated amortisation	(1,274)	(1,464)
<b>Net carrying amount at start of year</b>	<b>634</b>	<b>565</b>

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**Note 15 – Intangible Assets (continued)**

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Additions	121	391
Amortisation for the period	<u>(190)</u>	<u>(186)</u>
<b>Net carrying amount at end of year</b>	<b><u>565</u></b>	<b><u>770</u></b>
 <b>Comprising:</b>		
Gross carrying amounts	2,029	2,420
Accumulated amortisation	<u>(1,464)</u>	<u>(1,650)</u>
	<b><u>565</u></b>	<b><u>770</u></b>

**Note 16 – Long Term Investments**

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

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
CSBP Clackmannanshire Investments Ltd (at cost)	1	1
Clackmannanshire Regeneration LLP	4,906	4,906
Coalsnaughton NHT 2012 LLP	2,976	2,976
	<b><u>7,883</u></b>	<b><u>7,883</u></b>

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**Note 16 – Long Term Investments (continued)**

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.

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. 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.

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**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.

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance outstanding at start of year</b>	<b>65</b>	<b>1,499</b>
Impairment losses	(838)	-
Assets reclassified (to)/from Other Land & Buildings (Note 12)	2,337	1,523
Assets Sold	(65)	(2,173)
<b>Balance outstanding at year-end</b>	<b>1,499</b>	<b>849</b>
	<hr/>	<hr/>
	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Investment Properties Held for Sale</b>		
Investments properties held for sale	<u>324</u>	<u>288</u>

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**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.

	<b>Building Works</b>		<b>Catering</b>		<b>Vehicle Maint</b>		<b>Other</b>		<b>Total</b>	
	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>
<b>Balance at start of year</b>	234	238	49	50	51	45	186	187	520	520
Purchases	822	585	686	721	530	459	476	481	2,514	2,246
Recognised as an expense In the year	(818)	(597)	(685)	(727)	(536)	(460)	(475)	(469)	(2,514)	(2,253)
<b>Balance at year-end</b>	<b>238</b>	<b>226</b>	<b>50</b>	<b>44</b>	<b>45</b>	<b>44</b>	<b>187</b>	<b>199</b>	<b>520</b>	<b>513</b>

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**Note 19 – Short-Term Debtors**

This Note provides detail of the Short-Term Debtors line in the Balance Sheet on page 74. 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:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	3,459	4,395
Other local authorities	1,938	2,047
NHS bodies	1,005	985
Public corporations and trading funds	7	7
Other entities and individuals	<u>9,355</u>	<u>7,360</u>
<b>Total</b>	<b><u>15,764</u></b>	<b><u>14,794</u></b>

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

This note provides detail of the Short-Term Investments and Cash and Cash Equivalents lines in the Balance Sheet on page 74.

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Short-Term Investments</b>		
CSBP Clackmannanshire Developments Ltd (at cost)	598	98
Movement in impairment	250	(83)
	<hr/>	<hr/>
CSBP Clackmannanshire Developments Ltd (carrying value)	848	15
175 day notice cash deposit with banks	-	3,000
	<hr/>	<hr/>
<b>Total Short-Term Investments</b>	<b>848</b>	<b>3,015</b>
	<hr/>	<hr/>
<b>Cash and Cash Equivalents</b>		
Cash held by the Council	24	25
Bank current accounts	20,205	3,640
	<hr/>	<hr/>
<b>Total Cash and Cash Equivalents</b>	<b>20,229</b>	<b>3,665</b>
	<hr/>	<hr/>
<b>TOTAL</b>	<b>21,077</b>	<b>6,680</b>
	<hr/>	<hr/>

CSBP Clackmannanshire Developments Ltd is in the process of being wound up, with all remaining property being sold in 2015/16. The remaining investment in CSBP represents the Council's 50% share of cash balances to be distributed.

The net cash position has reduced significantly from 2014/15 due to matured loans being funded by cash balances.



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**Note 21 – Short-Term Creditors**

This Note provides detail of the Short-Term Creditors line in the Balance Sheet on page 75. 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:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	8,417	2,387
Other local authorities	2,147	1,988
NHS bodies	444	502
Public corporations and trading funds	295	228
Other entities and individuals	11,911	12,754
<b>Total</b>	<b>23,214</b>	<b>17,859</b>

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**Note 22 – Provisions**

**Current Provisions:**

**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. During 2015/16 the Council made a payment of £24k against the provision of £61k made in 2014/15. An additional provision of £263k has now been established to meet the final cost to conclude this action.

**Legal Cases**

The Council made a provision for £78k in 2014/15 to cover the estimated costs associated with a number of legal cases. This provision was fully utilised in the year and a further provision of £78k was made in 2015/16. Due to the sensitive nature of the cases further details can not be disclosed.

**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. Of the provision made in 2014/15 of £787k, £725k was utilised in the year. On review of the provision £43k has been carried forward in to 2016/17 to meet the voluntary severance costs approved in 2014/15.

**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 £92k have been received and paid through the existing provision. The remaining provision of £61k will be carried forward to meet further claims.

**Equal Pay**

The Council has settled a number of equal pay claims during the year totalling £32k. It is anticipated that the remaining provision of £124k will be sufficient to complete the settlement of the remaining claims and statutory on-costs.

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**Note 22 – Provisions (continued)**

	<b>Current Provision Insurance £000</b>	<b>Current Provision Damages Claim £000</b>	<b>Current Provision Legal Cases £000</b>	<b>Current Provision Voluntary Severance £000</b>	<b>Long Term Provision Equal Pay £000</b>	<b>Long Term Provision Insurance £000</b>	<b>Total £000</b>
<b>Opening Balance at 1 April 2015</b>	-	(61)	(78)	(787)	(181)	(74)	(1,181)
Additional provision made in 2015/16	(8)	(263)	(78)	-	-	-	(349)
Reduction in provision	-	-	-	19	25	8	52
Amounts used in 2015/16	-	24	78	725	32	13	872
<b>Balance at 31 March 2016</b>	<b>(8)</b>	<b>(300)</b>	<b>(78)</b>	<b>(43)</b>	<b>(124)</b>	<b>(53)</b>	<b>(606)</b>

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

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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 75. These values are reflected at amortised cost

**Total Outstanding at:**

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Source of Loan</b>		
<b>Repayable within 12 months</b>		
Public Works Loan Board	6,000	6,200
Other Short Term Borrowings	10,000	-
Revenue Advances:		
-Common Good & Trust Funds	370	371
-Central Scotland Valuation Joint Board	1,225	1,012
-Forth Valley Criminal Justice Authority	561	-
Accrued Interest on Borrowing	<u>1,387</u>	<u>1,303</u>
	<b>19,543</b>	<b>8,886</b>
	—————	—————
<b>Repayable after 12 months</b>		
Public Works Loan Board	78,646	72,445
Market Loans	<u>24,012</u>	<u>24,006</u>
	<b>102,658</b>	<b>96,451</b>
	—————	—————

An analysis of Long-Term Loans by Maturity is shown in Note 43.

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**Note 24 – Other Long Term Liabilities**

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
PFI & Finance Liabilities (see note (a) below)	43,715	42,404
Pension Liabilities (see note 41)	135,470	108,274
Other Long-Term Liabilities (see note (b) below)	623	616
	<b>179,808</b>	<b>151,294</b>

**(a) PFI & Finance Lease**

This sum relates to the finance lease creditor associated with the financing of the three new secondary schools under the PFI scheme, and Street Lighting. Note 37, page 163 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:

	<b>PFI</b>	<b>Street Lighting</b>	<b>Total</b>	<b>PFI</b>	<b>Street Lighting</b>	<b>Total</b>
	<b>2014/15</b>	<b>2014/15</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2015/16</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>45,755</b>	<b>493</b>	<b>46,248</b>	<b>44,568</b>	<b>437</b>	<b>45,005</b>
Finance Lease creditor – repayment in one year	(1,187)	(56)	(1,243)	(1,230)	(60)	(1,290)
<b>Balance at 31 March</b>	<b>44,568</b>	<b>437</b>	<b>45,005</b>	<b>43,338</b>	<b>377</b>	<b>43,715</b>
<b>Ageing:</b>						
Liabilities due over more than one year	43,338	377	43,715	42,092	312	42,404
Liabilities due within one year	1,230	60	1,290	1,246	65	1,311

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**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.

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Developer Contributions	26	17
Reinstatement Bond	597	599
	<hr/>	<hr/>
	<b>623</b>	<b>616</b>
	<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**

	<b>Long-Term</b>		<b>Current</b>	
	<b>31 March 2015</b>	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial Liabilities</b>				
Financial liabilities at amortised cost*	103,281	97,067	19,543	8,938
PFI & Finance leases facilities	43,715	42,404	1,290	1,311
Trade Creditors	-	-	3,035	4,500
<b>Total Financial Liabilities</b>	<b>146,996</b>	<b>139,471</b>	<b>23,868</b>	<b>14,749</b>

	<b>Long-Term</b>		<b>Current</b>	
	<b>31 March 2015</b>	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial Assets</b>				
Loans & Receivables	7,883	7,883	21,077	6,680
Trade Debtors	-	-	3,104	3,358
<b>Total Financial Assets</b>	<b>7,883</b>	<b>7,883</b>	<b>24,181</b>	<b>10,038</b>

**Notes to the above table:**

\*£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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**Note 25 – Financial Instruments (continued)**

**Notes to the above table (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.



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**Note 25 – Financial Instruments (continued)**

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

	2014/15			2015/16		
	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	(5,781)	-	(5,781)	(5,610)	-	(5,610)
Interest on PFI and finance lease liabilities	(3,520)	-	(3,520)	(3,490)	-	(3,490)
Impairment on financial assets	-	-	-	-	(83)	(83)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(9,301)</b>	<b>-</b>	<b>(9,301)</b>	<b>(9,100)</b>	<b>(83)</b>	<b>(9,183)</b>
Interest income	-	477	477	-	367	367
Reversal of impairment on financial assets	-	250	250	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>727</b>	<b>727</b>	<b>-</b>	<b>367</b>	<b>367</b>
<b>Net gain/(loss) for the year</b>	<b>(9,301)</b>	<b>727</b>	<b>(8,574)</b>	<b>(9,100)</b>	<b>284</b>	<b>(8,816)</b>

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**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**

Financial assets and financial liabilities represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2: inputs rather than quoted prices that are observable for the financial asset/liability), using the following assumptions:

- For PWLB loans, new borrowing repayment rates from the PWLB have been applied to provide fair value under PWLB debt redemption procedures;
- Interpolation techniques have been used between available rates where the exact maturity period was not available;
- For non-PWLB loans, fair values have been calculated using new market loan discount rates;
- 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;
- Where an instrument has a maturity less than 12 months or is a trade or other receivable the fair value 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.

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**Note 25 – Financial Instruments (continued)**

**Table 3: Fair Values of Assets and Liabilities**

**The Fair values are calculated as follows:-**

	<b>31 March 2015</b>		<b>31 March 2016</b>	
	<b>Carrying Amount £000</b>	<b>Fair Value £000</b>	<b>Carrying Amount £000</b>	<b>Fair Value £000</b>
PWLB – Maturity	85,918	125,716	79,871	120,857
PWLB – Annuity	38	62	37	60
LOBOs	24,012	30,536	24,047	31,169
Other Loans	10,036	10,045	-	-
<b>Total Debt/Financial Liabilities</b>	<b>120,004</b>	<b>166,359</b>	<b>103,955</b>	<b>152,086</b>

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest 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.

The fair value of Public Works Loan Board (PWLB) loans of £120.9m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB borrowing interest rates, termed the PWLB certainty rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

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**Note 25 – Financial Instruments (continued)**

However, the authority has a continuing ability to repay at redemption rates published by the PWLB rather than from the markets. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the redemption rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £79.8m would be valued at £141.0m. But if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £62.1m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £141.0m, comprising the principal of £78.6m, accrued interest of £1.3m and a premium of £62.1m.

**Note 26 – Unusable Reserves**

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Revaluation Reserve	88,818	88,806
Capital Adjustment Account	113,845	122,442
Financial Instruments Adjustment Account	(3,167)	(2,957)
Pensions Reserve	(135,470)	(108,274)
Accumulating Compensated Absences Adjustment Account	<u>(2,217)</u>	<u>(2,107)</u>
<b>Total Unusable Reserves</b>	<b>61,809</b>	<b>97,910</b>

**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.

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

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>45,057</b>	<b>88,818</b>
Upward revaluation of non-current assets	51,446	2,434
Downward revaluation of non-current assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5,936)	(47)
Difference between fair value depreciation and historical cost depreciation	(1,431)	(1,318)
Accumulated (losses) on assets sold or scrapped written off to the Capital Adjustment Account	(318)	(1,081)
<b>Balance 31 March</b>	<b>88,818</b>	<b>88,806</b>

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are 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.

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**Note 26 – Unusable Reserves (continued)**

**Capital Adjustment Account (continued)**

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>109,069</b>	<b>113,845</b>
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
· Charges for depreciation and impairment of non-current assets	(22,173)	(13,538)
· Amortisation of intangible assets	(190)	(186)
· Revenue expenditure funded from capital under statute	(865)	(133)
· Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,270)	(4,253)
· Amounts written out of the Revaluation Reserve on assets sold or scrapped	318	1,081
	<b>(24,180)</b>	<b>(17,029)</b>
<u>Capital financing applied in the year:</u>		
· Use of the Capital Receipts Reserve to finance new capital expenditure	420	1,607
· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	12,574	7,789
· Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	8,162	8,338
· Capital expenditure charged against the General Fund and HRA balances	6,369	6,574
· Depreciation on Revaluation Reserve	1,431	1,318
	<b>28,956</b>	<b>25,626</b>
<b>Balance at 31 March</b>	<b>113,845</b>	<b>122,442</b>

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**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 2016 will be charged to the General Fund over the next 38 years.

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(3,376)</b>	<b>(3,167)</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	203	204
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
<b>Balance at 31 March</b>	<b>(3,167)</b>	<b>(2,957)</b>

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**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.

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(89,839)</b>	<b>(135,470)</b>
Return on Pension Assets	19,290	(4,250)
Actuarial Gains or Losses on Pension Assets and Liabilities	(59,369)	38,750
Reversal of items debited or credited to CIES	(14,336)	(16,843)
Employers Pensions contribution and direct payments to pensioners in the year	8,784	9,539
<b>Balance at 31 March</b>	<b>(135,470)</b>	<b>(108,274)</b>



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**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.

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(2,092)</b>	<b>(2,217)</b>
Settlement or cancellation of accrual made at the end of the preceding year	2,092	2,217
Amounts accrued at the end of the current year	(2,217)	(2,107)
	—————	—————
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	<b>(125)</b>	<b>110</b>
	—————	—————
<b>Balance at 31 March</b>	<b>(2,217)</b>	<b>(2,107)</b>
	—————	—————

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**Note 27 – Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Interest Received	575	472
Interest Paid	(12,126)	(13,409)
Net surplus or deficit on the provision of services*	(4,810)	(266)

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

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Depreciation	13,423	13,538
Impairment and downward valuations	8,630	-
Amortisation	190	186
Impairment losses on Investments	1,029	-
Adjustment for effective interest rates	(6)	(6)
Increase in Interest Creditors	48	84
Increase/ (decrease) in Creditors	(2,458)	(4,750)
(Increase)/ decrease in Debtors*	(179)	1,438
(Increase) in Inventories	-	7
Pension Liability	5,552	7,304
Contributions to/(from) Provisions*	567	(575)
Carrying amount of non-current assets sold	1,270	4,253
Carrying amount of short and long term investments sold	10,000	750
	<b><u>38,066</u></b>	<b><u>22,229</u></b>

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**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:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Capital grants credited to surplus or deficit on the provision of services	(12,734)	(8,337)
Proceeds from the sale of short and long term investments	(10,000)	(750)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,215)	(3,069)
	<u>(23,949)</u>	<u>(12,156)</u>

**Note 28 – Cash Flow Statement – Investing Activities**

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Purchase of property, plant and equipment, investment property and intangible assets	(18,503)	(19,345)
Other Capital Payments	(865)	(133)
Purchase of investments and associates in joint ventures	(2,976)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,215	3,069
Proceeds from short-term investments	10,000	750
Capital Grants received	13,407	7,359
<b>Net cash flows from investing activities</b>	<u><b>2,278</b></u>	<u><b>(8,300)</b></u>

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**Note 29 – Cash Flow Statement – Financing Activities**

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Cash receipts of short and long-term borrowing	31,746	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,243)	(1,290)
Repayments of short and long-term borrowing	(30,221)	(16,781)
<b>Net cash from financing activities</b>	<b>282</b>	<b>(18,071)</b>

**Note 30 - Trading Operations**

From 1 April 2014 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.

		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
The Council ran Property Contract service which carried out work primarily for housing services.	Turnover	7,289	-	-
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.	Expenditure	(7,400)	-	-
Cumulative Surplus over the last three financial years of trading: £111k		_____	_____	_____
<b>Net (Deficit) on Trading Operations</b>		<b>(111)</b>	<b>-</b>	<b>-</b>

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**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 (2014/15: £0.177m). This charge has been fixed by the Scottish Government for a 4 year period to 31 March 2018. 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 2015/16 is Clackmannanshire Council 52% (2014/15: 53%), NHS Forth Valley 48% (2014/15: 47%). 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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**Note 32 – Pooled Budgets (continued)**

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

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Funding provided to the pooled budget:		
Clackmannanshire Council	609	639
NHS Forth Valley	542	592
<b>Total Funding</b>	<b>1,151</b>	<b>1,231</b>
Expenditure met from the pooled budget:		
Clackmannanshire Council	(618)	(564)
NHS Forth Valley	(518)	(534)
<b>Total Expenditure</b>	<b>(1,136)</b>	<b>(1,098)</b>
<b>Net Surplus arising on the pooled budget during the year</b>	<b>15</b>	<b>133</b>
<b>Clackmannanshire Council share of 52% (2014/15 53%) of the net Surplus/(Deficit) arising on the pooled budget</b>	<b>8</b>	<b>69</b>

**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 (2014/15: £0.203m). These costs are shown within the Corporate and Democratic Core line in the Comprehensive Income and Expenditure Statement.

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**Note 34 – 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 2015/16 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 10 (Grant Income);
- b) Payments to the Falkirk Council Superannuation Fund and Scottish Government (Teachers' Pensions) are shown in Notes 40 and 41 (Pension Schemes);
- c) Requisitions paid to Joint Boards are shown on the Comprehensive Income and Expenditure Statement; and
- d) Payments to Elected Members and Chief Officers are shown in the Remuneration Report.

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**Note 35 – Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts) together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR) a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	<b>166,420</b>	<b>161,239</b>
<b>Capital Investment</b>		
Property Plant & Equipment	18,377	15,850
Investment Properties	5	36
Intangible Assets	121	391
Coalsnaughton LLP for Social Housing	2,976	-
Revenue Expenditure Funded from Capital Under Statute	865	133
<b>Sources of finance</b>		
Capital receipts	(420)	(1,607)
Government grants and other contributions	(12,574)	(7,837)
Sums set aside from revenue:		
· Direct revenue contributions	(6,369)	(6,574)
· Repayment of Finance Lease Capital Debt	(1,243)	(1,290)
· Loans Fund Principal	(6,919)	(7,048)
<b>Closing Capital Financing Requirement</b>	<b>161,239</b>	<b>153,293</b>
(Decrease) in CFR (unsupported by government financial assistance)	(5,181)	(7,946)



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**Note 36 – Leases**

**Council as Lessee**  
**Finance Leases**

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

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

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Infrastructure Assets	<u>408</u>	<u>383</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:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Finance lease liabilities (net present value of minimum lease payments):		
· Current	60	65
· Non-current	377	312
Finance costs payable in future years	122	89
<b>Minimum lease payments</b>	<u><b>559</b></u>	<u><b>466</b></u>

**CLACKMANNANSHIRE COUNCIL**  
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**Note 36 – Leases (continued)**

**Finance Leases (continued)**

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2015</b>	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
No later than one year	33	28	60	65
Later than one year not later than five years	82	61	290	312
Later than five years	7	-	87	-
	<u>122</u>	<u>89</u>	<u>437</u>	<u>377</u>

**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:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	184	184
Later than one year and not later than five years	735	643
Later than five years	92	-
	<u>1,011</u>	<u>827</u>

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**Note 36 – 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:

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments	<b>184</b>	<b>184</b>
	—	—

**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 37 – Private Finance Initiatives and Similar Contracts**

**Secondary Schools PFI Scheme**

2015/16 was the eighth 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 2016, excluding any estimate of availability/performance deductions are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable within 1 year	3,038	1,246	3,421	7,705
Payable within 2 to 5 years	14,808	4,246	13,204	32,258
Payable within 6 to 10 years	20,726	7,178	15,937	43,841
Payable within 11 to 15 years	25,833	8,409	13,987	48,229
Payable within 16 to 20 years	26,229	13,864	13,101	53,194
Payable within 21 to 25 years	20,988	8,395	4,248	33,631
<b>Total</b>	<b>111,622</b>	<b>43,338</b>	<b>63,898</b>	<b>218,858</b>

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**Note 37 – 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:

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Balance outstanding at start of year	<b>45,755</b>	<b>44,568</b>
Payments during the year	<b>(1,187)</b>	<b>(1,230)</b>
<b>Balance outstanding at year-end</b>	<b>44,568</b>	<b>43,338</b>

**Note 38 - Impairment Losses**

The Council appointed the District Valuer to complete its statutory five yearly revaluation of assets as at 1 April 2014. No material impairment losses have occurred during 2015/16. (2014/15: total impairment of £19.186m on non-current assets and a total reversal of previous impairments of £10.807m).

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**Note 39 - Termination Benefits**

The Council terminated the contracts of 46 employees (2014/15: 78) through voluntary severance during 2015/16, incurring liabilities of £0.452m (2014/15: £2.038m). This includes provision in the accounts of costs relating to employees whose voluntary severance was approved during or prior to the 2015/16 financial year but who are not due to leave until the 2016/17 financial year. The Remuneration Report on page 46 provides details of the number of exit packages and total cost per band.

**Note 40 - 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.

The employer contribution rate from 1 April 2015 was 14.9% of pensionable pay. This increased to 17.2% from 1 September 2015. In total for the year 2015/16 the Council paid £3.160m to Teacher's Pensions in respect of teachers retirement benefits. The comparative amount paid in 2014/15 was £2.861m which equates to 14.9% of pensionable pay.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31st March 2016, the Council's own contribution equates to approximately 0.9% (2014/15: 0.8%).

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**Note 41 - 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 administered by the Scottish Government. Both schemes provide defined benefits to members. However, the liabilities for the Teachers' Scheme cannot be identified specifically to the Council, therefore the scheme is accounted for as if it were a defined contributions scheme. The Council does not recognise assets or liabilities related to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Scottish Government.

**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 41 - Defined Benefit Pension Schemes (continued)**

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

	<b>Local Government Pension Scheme</b>	
	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
Cost of Services:		
· Current service cost	10,127	11,534
· Past service costs	313	928
Financing and Investment Income and Expenditure:		
· Interest expense – defined benefit obligation	12,973	12,110
· Interest income on scheme assets	<u>(9,077)</u>	<u>(7,729)</u>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>14,336</b>	<b>16,843</b>
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)	(19,290)	4,250
· Actuarial (gains)/losses arising on changes in demographic assumptions	(2,853)	-
· Actuarial (gains)/losses arising on changes in financial assumptions	33,875	(34,291)
· Other experience (gains)/losses	28,347	(4,459)
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>54,415</b>	<b>(17,657)</b>
<b>Movement in Reserves Statement (MIRS)</b>		
· Reversal of net charge made to the surplus or deficit on the provision of Services For post-employment benefits in accordance with the CODE 129.	<u>(14,336)</u>	<u>(16,843)</u>
<b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>		
· <b>Employer’s contributions payable to the Pension Fund</b>	<b><u>8,784</u></b>	<b><u>9,539</u></b>



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**Note 41 - Defined Benefit Pension Schemes (continued)**

**Local Government Pension Scheme**

**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:

<b>Movement in Reserves Statement (MIRS)</b>	<b>31 March 2015</b> <b>£000</b>	<b>31 March 2016</b> <b>£000</b>
Present value of the defined benefit obligation (1)	(376,155)	(354,117)
Fair value of pension fund assets	240,685	245,843
	<hr/>	<hr/>
<b>Net Liability arising from Defined Benefit Obligation</b>	<b>(135,470)</b>	<b>(108,274)</b>
(1) Unfunded liabilities for present Value of liabilities		
· Unfunded liabilities for Pension Fund	18,244	16,661

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 41 - Defined Benefit Pension Schemes (continued)**

**Local Government Pension Scheme**

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Balance at 1 April</b>	<b>(300,028)</b>	<b>(376,155)</b>
Current service cost	(10,127)	(11,534)
Interest cost	(12,973)	(12,110)
Contributions by Pension Fund participants	(2,271)	(2,264)
Re-measurement gains/(losses)		
- Actuarial gains from change in demographic assumptions	2,853	-
- Actuarial gains/(losses) from change in financial assumptions	(33,875)	34,291
- Actuarial gains/(losses) from other experiences	(28,347)	4,459
Past service costs	(313)	(928)
Benefits paid	8,926	10,124
<b>Closing value at 31 March</b>	<b>(376,155)</b>	<b>(354,117)</b>

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

	<b>Local Government Pension Scheme</b>	<b>Local Government Pension Scheme</b>
	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Opening fair value of pension fund assets</b>	<b>210,189</b>	<b>240,685</b>
Interest income	9,077	7,729
Return on pension assets (excluding amounts included in net interest)	19,290	(4,250)
Contributions from employers	8,784	9,539
Contributions by employees in the scheme	2,271	2,264
Benefits paid	(8,926)	(10,124)
<b>Closing fair value of pension fund assets</b>	<b>240,685</b>	<b>245,843</b>

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**Note 41 - Defined Benefit Pension Schemes (continued)**

**Analysis of Pension Fund's Assets**

Clackmannanshire Council's share of the Pension Fund's assets at 31 March 2016 comprised:

	<b>Local Government Pension Scheme</b>	
	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Equity instruments (by industry type)		
- Consumer	23,293	25,823
- Manufacturing	14,346	13,894
- Energy & Utilities	9,486	8,769
- Financial institutions	17,584	15,889
- Health & Care	12,489	12,576
- Information & Technology	9,714	14,888
- Other	<u>4,148</u>	<u>6</u>
Sub Total Equity	<b>91,060</b>	<b>91,845</b>
Debt Securities		
- Corporate Bond (investment grade)	<u>-</u>	<u>3,973</u>
	<u>-</u>	<u>3,973</u>
Property (by type)		
- UK	17,301	19,114
- Overseas	<u>846</u>	<u>582</u>
Sub Total Property	<b>18,147</b>	<b>19,696</b>
Private Equity		
- UK	<u>13,939</u>	<u>17,884</u>
Sub Total Private Equity	<b>13,939</b>	<b>17,884</b>

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**Note 41 - Defined Benefit Pension Schemes (continued)**

**Analysis of Pension Fund's Assets (continued)**

**Local Government Pension Scheme**

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Other Investment funds		
- Equities	51,752	52,295
- Bonds	21,370	16,944
- Infrastructure	6,055	3,215
- Other	<u>28,140</u>	<u>28,375</u>
Sub Total Other Investment Funds	<b>107,317</b>	<b>100,829</b>
Derivatives	<b>10</b>	-
Cash and cash equivalents	<u><b>10,212</b></u>	<u><b>11,616</b></u>
<b>Total Assets</b>	<b>240,685</b>	<b>245,843</b>

**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 2016. 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.

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**Note 41 - Defined Benefit Pension Schemes (continued)**

<b>Local Government Pension Scheme</b>	<b>2014/15</b>	<b>2015/16</b>
<b>Long-term expected rate of return on assets in the fund</b>		
Equity investments	3.2%	3.5%
Bonds	3.2%	3.5%
Property	3.2%	3.5%
Cash	3.2%	3.5%
 <b>Mortality assumptions</b>		
Longevity at 65 for current pensioners (years):		
Men	22.1 years	22.1 years
Women	23.8 years	23.8 years
Longevity at 65 for future pensioners (years):		
Men	24.3 years	24.3 years
Women	26.3 years	26.3 years
 <b>Basis for Estimating Assets and Liabilities (continued)</b>	<b>2014/15</b>	<b>2015/16</b>
Rate of inflation	2.4%	2.2%
Rate of increase in salaries	3.8%	3.7%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting Fund liabilities	3.2%	3.5%

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.

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**Note 41 - Defined Benefit Pension Schemes (continued)**

**Changes in Assumptions at 31 March 2016**

	<b>Approx % Increase to Employer</b>	<b>Approx Monetary Amount (£000)</b>
0.5% Decrease in Real Discount Rate	10%	37,048
1 year increase in Member Life Expectancy	3%	10,624
0.5% increase in the Salary Increase Rate	4%	13,459
0.5% increase in the Pension Increase Rate	6%	22,881

**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 two years: 2016/17 (21%) and 2017/18 (21.5%). The next triennial valuation is due to be completed on 31 March 2017 where these rates may be updated. The total contributions expected to be made by Clackmannanshire Council to Falkirk Pension Fund in the year to 31 March 2017 is £7.813m.

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**Note 42 – 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.

**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.

**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.

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**Note 43 – 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 2015/16 was approved by Full Council on 5 March 2015 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 43 – 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 £6.640m, 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 2016 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 £3.311m is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Less than three months	2,063	1,929
Three to six months	84	78
Six months to one year	347	192
More than one year	<u>610</u>	<u>1,112</u>
<b>Total</b>	<b><u>3,104</u></b>	<b><u>3,311</u></b>

During the year a sum of £511k was charged to the Comprehensive Income and Expenditure statement, increasing the provision against current debts to £970k.

**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.

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**Note 43 – 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):

<b>Loans Outstanding</b>	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Public Works Loans Board	84,646	78,645
Market Debt	24,012	24,006
Other Short Term Borrowings	<u>10,000</u>	<u>-</u>
<b>Total</b>	<b>118,658</b>	<b>102,651</b>
	-----	-----
Less than 1 year	16,000	6,200
Between 1 and 2 years	6,200	-
Between 2 and 5 years	5,000	5,412
Between 5 and 10 years	4,182	5,007
More than 10 years	<u>87,276</u>	<u>86,032</u>
<b>Total</b>	<b>118,658</b>	<b>102,651</b>
	-----	-----

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.

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**Note 43 – 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.

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**Note 43 – 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 2016 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	235
Increase in interest receivable on variable rate investments	-
<b>Impact on Comprehensive Income and Expenditure statement</b>	<b><u>235</u></b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<u>22,355</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 44 – 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 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.

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**Note 44 – Trust Funds (continued)**

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

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Clackmannan District Council Charitable Trust	5	3
Clackmannanshire Educational Trust	28	25
Tillicoultry Old Age Pensioners Outing Fund	3	2
Old Folks Welfare Fund	7	6
	<hr/>	<hr/>
	<b>43</b>	<b>36</b>
	<hr/>	<hr/>

The Council also administers the funds for 57 other Charitable Trusts and Endowments:

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Total Value of Trusts and Endowments	321	326
	<hr/>	<hr/>
<b>Total Value of all Trusts and Endowments</b>	<b>364</b>	<b>362</b>
	<hr/>	<hr/>

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**HOUSING REVENUE ACCOUNT (HRA) Income and Expenditure Statement**  
**for the year ended 31 March 2016**

The HRA Income and Expenditure Statement shows the economic cost in the year providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting 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.

<b>2014/15</b>		<b>2015/16</b>	<b>2015/16</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
	<b>Expenditure</b>		
5,338	Repairs and maintenance	5,579	
3,555	Supervision and management	3,948	
13,428	Depreciation and impairment of non-current assets*	6,805	
299	Impairment of debtors	293	
491	Other Expenditure	306	
<hr/>		<hr/>	
<b>23,111</b>	<b>Total Expenditure</b>		<b>16,931</b>
	<b>Income</b>		
(17,182)	Dwelling Rents	(17,768)	
(57)	Non-dwelling rents	(64)	
<hr/>		<hr/>	
<b>(17,239)</b>	<b>Total Income</b>		<b>(17,832)</b>
<hr/>			<hr/>
<b>5,872</b>	<b>Net (Income)/Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(901)</b>

\* The difference in the charge for depreciation and impairment of non-current assets between 2014/15 and 2015/16 is due to the five yearly revaluation of non-current assets carried out during 2014/15.

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**HOUSING REVENUE ACCOUNT (HRA) Income and Expenditure Statement**  
**for the year ended 31 March 2016**

<b>2014/15</b>		<b>2015/16</b>	<b>2015/16</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
113	HRA Services share of Corporate and Democratic Core		125
<hr/>			<hr/>
<b>5,985</b>	<b>Net (Income)/Expenditure of HRA Services</b>		<b>(776)</b>
	<b>HRA Share of the operating income and expenditure included in The Comprehensive Income and Expenditure Statement</b>		
272	Loss on sale of HRA non-current assets	262	
1,523	Interest payable and similar charges	1,472	
(43)	Interest and investment income	(23)	
207	Pensions interest cost and expected return on pension assets	616	
(2,109)	Capital grants and contributions receivable	(1,163)	1,164
<hr/>		<hr/>	<hr/>
<b>5,835</b>	<b>Deficit for the year on HRA Services</b>		<b>388</b>
<hr/>			<hr/>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**HOUSING REVENUE ACCOUNT (HRA) Movement in Reserves Statement**  
**for the year ended 31 March 2016**

<b>2014/15</b>		<b>2015/16</b>	<b>2015/16</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
(3,093)	Balance on the HRA at the end of the previous year		(1,949)
5,835	Deficit for the year on the HRA Income and Expenditure Statement	388	
<u>(4,691)</u>	Adjustments between accounting basis and funding basis under regulations (Note 1)	<u>851</u>	
1,144	Net decrease before transfers to/from Reserves		1,239
(468)	Transfer from the General Fund Reserve	-	
468	Transfer to the Capital Adjustment Account	-	-
<u>1,144</u>	Decrease in the year on HRA	<u>      </u>	<u>1,239</u>
<b>(1,949)</b>	<b>Balance on the HRA at the end of the current year</b>		<b><u>(710)</u></b>



**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**HOUSING REVENUE ACCOUNT (HRA)**  
*Notes for the year ended 31 March 2016*

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

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
(272)	(Loss) on sale and disposal of HRA non-current assets	(262)
5,889	Capital expenditure funded by the HRA	6,553
2,109	Capital Grants contributions that have been applied to capital financing	1,163
	Transfer to/from the Capital Adjustment Account:	
(13,428)	- Depreciation and Impairment	(6,805)
1,372	- Repayment of Debt	1,483
(363)	HRA share of contributions to/from the Pension Reserve	(1,248)
	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		(33)
<hr/> <b>(4,691)</b> <hr/>	<b>Total</b>	<hr/> <b>851</b> <hr/>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
*Notes to the Housing Revenue Account*

**HRA 2. Housing Stock**

The Council's housing stock at 31 March 2016 was 4,992 (31 March 2015: 5,018) in the following categories:

<b>2014/15</b>		<b>2015/16</b>
<b>Number</b>		<b>Number</b>
25	One apartment	25
1,353	Two apartment	1,352
2,252	Three apartment	2,230
1,250	Four apartment	1,247
137	Five apartment	137
1	Six apartment	1
<hr/>		<hr/>
<b>5,018</b>	<b>Total</b>	<b>4,992</b>
<hr/>		<hr/>

**HRA 3. Rent Arrears**

Rent Arrears increased during the year by £150,657 to a total of £1,374,258 (2014/15: £1,223,601). As a percentage of gross rental income, the arrears represent 7.7% (2014/15: 7.1%) which is equivalent to £275 (2014/15: £244) per house.

**HRA 4. Impairment of Debtors**

In 2015/16 an impairment of £1,092,571 (2014/15: £935,407) has been provided in the Balance Sheet for irrecoverable rents, an increase of £157,164 on the provision in 2014/15.

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**Council Tax Income Account for the year ended 31 March 2016**

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

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
<b>(25,649)</b>	<b>Gross Council Tax levied and contributions in lieu</b>	<b>(25,721)</b>
	<b>Deduct:</b>	
3,039	Other discounts and reductions	3,001
746	Allowance for impairment of debts	616
(9)	Adjustments to previous years Council Tax	18
3,532	Council Tax Reduction Scheme	3,428
<hr/>		<hr/>
<b>(18,341)</b>	<b>Net Council Tax Income transferred to General Fund</b>	<b>(18,658)</b>
<hr/>		<hr/>

**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 2015/16 was £1,148. Council Tax Charges have been frozen at these levels since 2008/09 by the Scottish Government.

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**Notes to the Council Tax Income Account**

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

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

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
*Notes to the Council Tax Income Account*

**CTI.2 Calculation of the Council Tax Charge Base 2015/16**

	<b>A</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>Total</b>
	<b>(Disabled Relief)</b>									
Total number of dwellings	-	6,326	7,299	1,992	2,507	3,195	1,886	860	49	<b>24,114</b>
Less exempt dwellings	-	(235)	(226)	(75)	(56)	(35)	(16)	(13)	(5)	<b>(661)</b>
Dwellings subject to disabled reduction	-	(22)	(35)	(19)	(20)	(42)	(13)	(8)	(3)	<b>(162)</b>
Dwellings subject to tax at this band due to disabled relief	22	35	19	20	42	13	8	3	-	<b>162</b>
Less adjustments for single discounts	(2)	(865)	(753)	(198)	(180)	(181)	(72)	(28)	(1)	<b>(2,280)</b>
Less adjustments for double discounts	-	(24)	(37)	(16)	(13)	(11)	(5)	(3)	(1)	<b>(110)</b>
Less adjustments for disregarded adults	-	-	-	-	-	-	-	-	-	<b>-</b>
Effective number of dwellings	<b>20</b>	<b>5,215</b>	<b>6,267</b>	<b>1,704</b>	<b>2,280</b>	<b>2,939</b>	<b>1,788</b>	<b>811</b>	<b>39</b>	<b>21,063</b>
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	<b>11</b>	<b>3,477</b>	<b>4,874</b>	<b>1,515</b>	<b>2,280</b>	<b>3,592</b>	<b>2,583</b>	<b>1,351</b>	<b>78</b>	<b>19,761</b>
Less provision for non-collection @ 2.5%										494 properties
<b>Council Tax Base 2015/16</b>										<b>19,267 properties</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**

***Non Domestic Rates Income Account for the year ended 31 March 2016***

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

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
<b>(18,584)</b>	<b>Gross rates levied and contributions in lieu</b>	<b>(18,581)</b>
3,348	Reliefs and other deductions	3,583
(277)	Allowance for impairment of debts and appeals	299
<hr/> <b>(15,513)</b>	<b>Net Non-Domestic Rate Income</b>	<hr/> <b>(14,699)</b>
<hr/> <b>(2,297)</b>	Adjustment to previous years' national non-domestic rates	<hr/> 159
<hr/> <b>(17,810)</b>	<b>Net Non-Domestic Rates Income</b>	<hr/> <b>(14,540)</b>
<hr/> (29)	Add back: 25% Discretionary Reliefs not offset for Pool Contribution	<hr/> (34)
<hr/> <b>(17,839)</b>	<b>Income for Contribution to Non-Domestic Rate Pool</b>	<hr/> <b>(14,574)</b>
<hr/>		<hr/>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**

**Non Domestic Rates Income Account for the year ended 31 March 2016**

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
17,839	Contribution to National Non-Domestic Rate Pool	14,574
(12,918)	Distribution from National Non-Domestic Rate Pool	(15,853)
<hr/>		<hr/>
4,921	(Gain)/Loss from National Pool	(1,279)
<hr/>		<hr/>
<b>(12,918)</b>	<b>Net NNDR Income per the Comprehensive Income and Expenditure Statement (Note 10)</b>	<b>(15,853)</b>
<hr/>		<hr/>

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**

	<b>2014/15</b>	<b>2015/16</b>
National Non-Domestic Rate	47.1p	48p
Large Property Supplement – properties valued > £35,000	1.1p	1.3p

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
*Non Domestic Rates Income Account for the year ended 31 March 2016*

**NDR 3. Analysis of Rateable Values as at 1 April 2015**

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



**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**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 2015/16**  
**Common Good Comprehensive Income and Expenditure Statement**  
**For the year ended 31 March 2016**

<b>31 March 2015</b>		<b>31 March 2016</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
(230)	Charges for use of premises	(201)
<u>(230)</u>		<u>(201)</u>
	<b>Expenditure</b>	
63	Property Maintenance	46
50	Utilities	55
49	Rates	43
24	Cleaning, land services and refuse collection	37
33	Insurance	20
11	Computer	-
2,278	Depreciation and Impairment	<u>169</u>
<u>2,508</u>		<u>370</u>
<b>2,278</b>	<b>Cost of Services</b>	<b>169</b>
<b>(887)</b>	<b>Non-Specific Grant Income</b>	<b>(93)</b>
<b>1,391</b>	<b>Deficit on Provision of Services</b>	<b>76</b>
<b>939</b>	<b>(Surplus)/deficit on revaluation of non-current assets charged to the Revaluation Reserve</b>	<b>(40)</b>
<u><b>(2,330)</b></u>	<b>Total Comprehensive (Income) and Expenditure</b>	<u><b>36</b></u>

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

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
*Common Good Balance Sheet*  
*As at 31 March 2016*

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
	<b>Non-Current Assets</b>	
4,260	Property, Plant and Equipment	4,224
	<b>Current Assets</b>	
8	Short-Term Investments	8
<b>4,268</b>	<b>Net Assets</b>	<b>4,232</b>
	<b>Usable Reserves</b>	
8	Revenue Reserve	8
	<b>Unusable Reserves</b>	
221	Revaluation Reserve	248
4,039	Capital Adjustment Account	3,976
<b>4,268</b>		<b>4,232</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**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
<b>Balance at 31 March 2014</b>	<b>8</b>	<b>290</b>	<b>298</b>	<b>6,300</b>	<b>6,598</b>
<b>Movement in Reserves during 2014/15</b>					
Surplus on provision of Services	(1,391)	-	(1,391)	-	(1,391)
Other Comprehensive Income and Expenditure	-	-	-	(939)	(939)
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,391)</b>	<b>-</b>	<b>(1,391)</b>	<b>(939)</b>	<b>(2,330)</b>
Adjustments between accounting basis & funding Basis under regulations ( <b>Note 1</b> )	1,391	(290)	1,101	(1,101)	-
<b>Increase in 2014/15</b>	<b>-</b>	<b>(290)</b>	<b>(290)</b>	<b>(2,040)</b>	<b>(2,330)</b>
<b>Balance at 31 March 2015</b>	<b>8</b>	<b>-</b>	<b>8</b>	<b>4,260</b>	<b>4,268</b>
<b>Movement in Reserves during 2015/16</b>					
Surplus or (deficit) on provision of services	(76)	-	(76)	-	(76)
Other Comprehensive Income and Expenditure	-	-	-	40	40
<b>Total Comprehensive Income and Expenditure</b>	<b>(76)</b>	<b>-</b>	<b>(76)</b>	<b>40</b>	<b>(36)</b>
Adjustments between accounting basis & funding Basis under regulations ( <b>Note 1</b> )	76	-	76	(76)	-
<b>Increase in 2015/16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36)</b>	<b>(36)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>8</b>	<b>-</b>	<b>8</b>	<b>4,224</b>	<b>4,232</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2015/16**  
**NOTES TO THE COMMON GOOD ACCOUNT**

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

<b>2015/16</b>	<b>Common Good Balance £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movement in Unusable Reserves £000</b>
<b>Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement</b>			
Charges for Depreciation and Impairment of Non-Current assets	(169)	-	169
Capital Grants and Contributions Applied	93	-	(93)
	<u>(76)</u>	<u>-</u>	<u>76</u>
<b>2014/15</b>	<b>Common Good Balance £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Movement in Unusable Reserves £000</b>
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>