

Financial Statements

2016 / 2017



Clackmannanshire
Council

www.clacksweb.org.uk

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17**

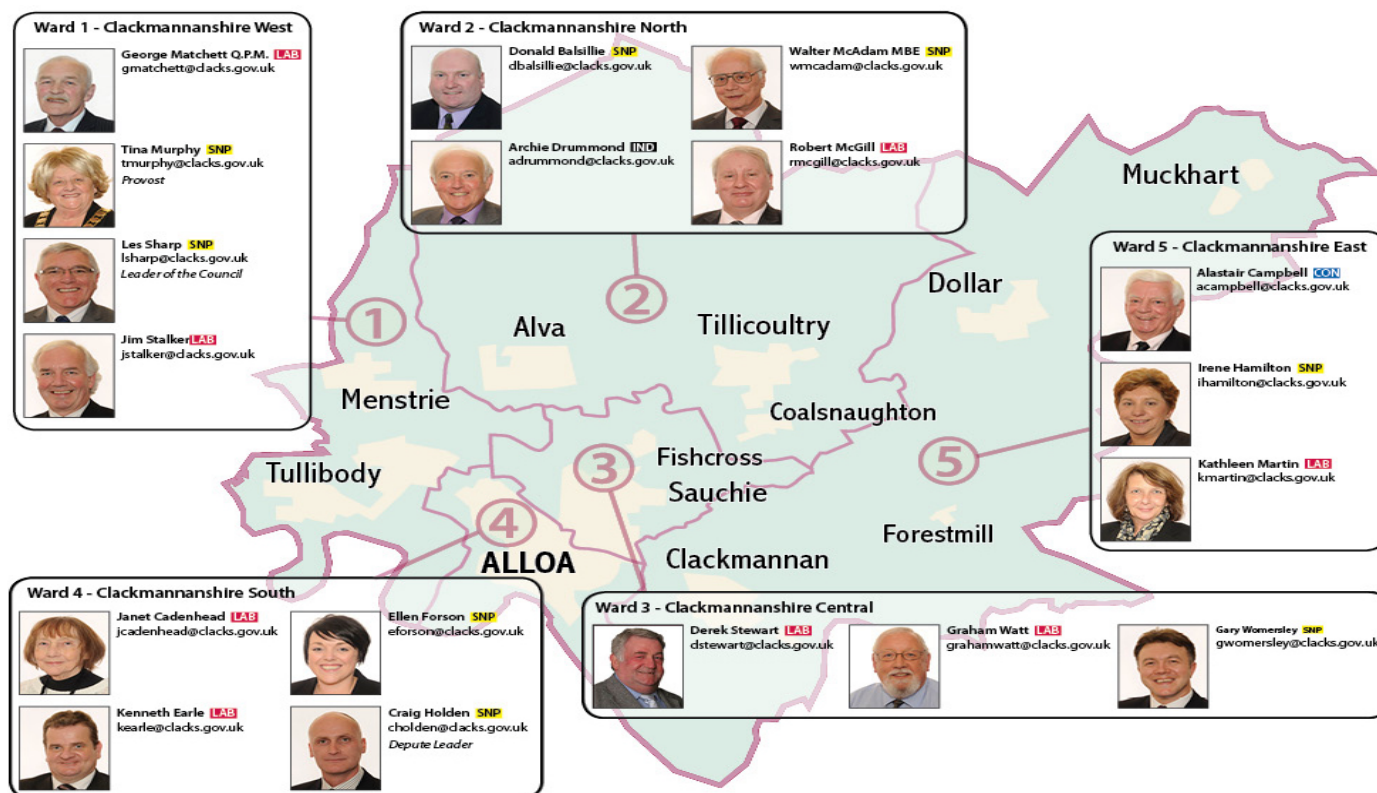
**CLACKMANNANSHIRE COUNCIL
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CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2016/17 Council Services

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 2016/17 was: 8 Labour, 8 SNP, 1 Independent and 1 Conservative from April to October. This changed to: 9 SNP, 8 Labour and 1 Conservative from October 2016 when the Independent Councillor joined the SNP.



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Council Services

Local Government (continued)

Since the 31 March 2016, the Council has had the following changes in leadership: in May 2016, the SNP resigned as Administration and the Labour party subsequently took up leadership of the Council in June 2016 with Councillor Robert McGill taking on the role of Council Leader. In February 2017, Councillor McGill resigned as Leader and Councillor Graham Watt took over as Council Leader. The Labour Administration subsequently resigned in late February 2017, with the SNP taking over as the Council Administration with Councillor Les Sharp becoming Council Leader in March 2017. Following the Local Government Elections in May 2017 the current political make-up of the Council is 8 SNP, 5 Conservative and 5 Labour

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 2016/17 the Council has had six service groupings each lead by a Head of Service. Corporate and Service Management is provided by the Executive Team and Corporate Management Team (CMT) together, comprising the Chief Executive, Depute Chief Executive, Executive Director and all Heads of Service.

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Council Services as at 31 March 2017

Senior Management Team



Garry Dallas,
Executive Director



Elaine McPherson,
Chief Executive



Nikki Brindle,
Deputy Chief Executive



Anne Hanson,
Head of Education
Services

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



Stuart Critcham,
Head of Strategy and
Customer Services

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



Gordon McNeil,
Head of Development
and Environment

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



Alison 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 Coaffee,
Head of Resources and
Governance

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



Celia Gray,
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 2016/17 *Management Commentary*

Introduction

This commentary sets the scene and context for the Financial Statements for Clackmannanshire Council for the year ended 31 March 2017. 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 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. Clackmannanshire is the smallest mainland councils in Scotland covering 61 square miles and serving a population of 51,350. The Council employs 2,826 staff and has 18 councillors who are selected every five years through local elections. The Leaders of the Council during 2016/17 were Councillor Les Sharp (SNP) until May 2016, Councillor Robert McGill (Labour) from June 2016 to February 2017, Councillor Graham Watt (Labour) in February 2017 and Councillor Les Sharp (SNP) in March 2017. The Chief Executive is Elaine McPherson.

In 2016/17 the Council spent £194m 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.

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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 £138.5m available to provide the best services it can. Such challenging times also provide significant opportunities for real improvement if the Council and its partners work in a more integrated way and pool their collective resources more effectively. Similarly, legislative changes are making it easier for communities to become more involved in finding solutions and engage more directly in service delivery.

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 £10.5m and £16.6m in the indicative funding gap for 2018/19 and a cumulative indicative gap to 2020/21 between £21.2m and £36.2m. 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. Clackmannanshire Alliance is currently developing a refreshed vision and outcomes for Clackmannanshire as part of a consultation on a Local Outcomes Improvement Plan for the Country. This process will be undertaken alongside a review of the Corporate Plan, which is also scheduled for renewal during 2017/18.

During 2016/17, there has been significant investment in embedding the implementation of Health and Social Care Integration (HSCI). In particular, the challenging financial context has been a focus during the year. 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. The Budget setting process highlighted the need for specific proposals to be developed and presented during 2017/18, building on the work already started to look at new and/ or alternative service delivery models.

CLACKMANNANSHIRE COUNCIL
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Strategic context (continued)

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). This has been in place for a number of years and whilst progress and pace have stalled during 2016/17 due to changes in political priorities and administrations, the March 2017 Budget sought to refresh and reinvigorate the Programme for taking the Council forward. 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



CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2016/17 Management Commentary

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 2016/17, Chief Officers worked closely with the members of each political Administration to develop proposals which fed into the 2017/18 budget setting process. Given changes in political control and priorities over this period, three budgets were prepared. The Budget agreed in March 2017 built on and further developed the Making Clackmannanshire Better model and ambitions.

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 Scrutiny Committee;
- annual review of the Corporate Plan, "Taking Clackmannanshire Forward", which is reported to the Scrutiny Committee;
- progress with MCB through update reports to Council and the MCB Member and Trade Union Forums;
- annual reporting of the Local Government Benchmarking Framework to the Scrutiny Committee;
- annual reporting of Director of Finance KPIs;
- six monthly reporting of service performance and risks to Scrutiny Committee and quarterly performance of service financial reporting to the Audit and Finance committee;
- reporting of corporate risks to the Audit and Finance Committee every six months; and
- review of the Statement of Preparedness which covers those Emergency Planning risks set out in the Community Risk register and developed by the Forth Valley Local Resilience Partnership.

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Business Performance (continued)

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

The Council's Corporate Plan sets out the Council's vision for Taking Clackmannanshire Forward through focussing on Better Services, Better Opportunities and Better Communities. 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 Partnership, Community Justice, and integrated local service delivery;
- investment in the development of new housing, LED street lighting, fleet and IT infrastructure throughout Clackmannanshire;
- engagement with third sector in an initiative to improve commissioning approaches and integrated public service design; and
- sustained improvement in 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 programme of work was commissioned on Realigning Children's Services, which included mapping service provision against demands and surveys with school children, teachers and parents;
- the Getting it Right for Every Child (GIRFEC) National Practice is now embedded across the partnership along with a quality assurance process to audit and plan improvements;

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Business Performance (continued)

- between December 2015 and January 2017, 31 people were employed on the Scottish Employer Recruitment Initiative and an inaugural Clackmannanshire Business week was held in November 2016;
- working age adults with low or no qualifications fell to 10.3% below the Scottish average; and
- sustained 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 agreed enabling services to be designed and transformed to better meet changing demand and to stimulate community regeneration;
- the Village and Small Towns Initiative is enabling community engagement and regeneration, including commercial and environmental improvement works in Clackmannan, which additionally attracted £2m in Scottish Government funding.
- ongoing support and encouragement is being provided for communities to develop and implement Community Action Plans, supported by funding for community development and participatory budgeting approaches. Approaches for Community Asset Transfer and Participation requests have also been deployed, further increasing opportunities for community development and empowerment; and
- continued improving resident satisfaction, with 93% of residents rating their neighbourhood as a good place to stay.

Financial Performance 2016/17

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 2017. A brief explanation of each statement and its purpose is provided on page 81. The Statements are grouped under Core Financial Statements and Supplementary Financial Statements.

An Annual Governance Statement is provided at page 41 and a Remuneration Report is included at page 55.

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Financial Performance 2016/17 (continued)

Within the General fund against the background of reducing resources the Council has successfully delivered services within budget, therefore, not requiring the full £1.523m of reserves approved to support the 2016/17 budget. This position, along with consideration of the reserves utilised during the year, results in a net decrease in reserves of £3.962m, from £14.035m to £10.073m. Of this total, £5.234m is earmarked for specific purposes and £4.839m is retained as uncommitted General Fund reserves.

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).

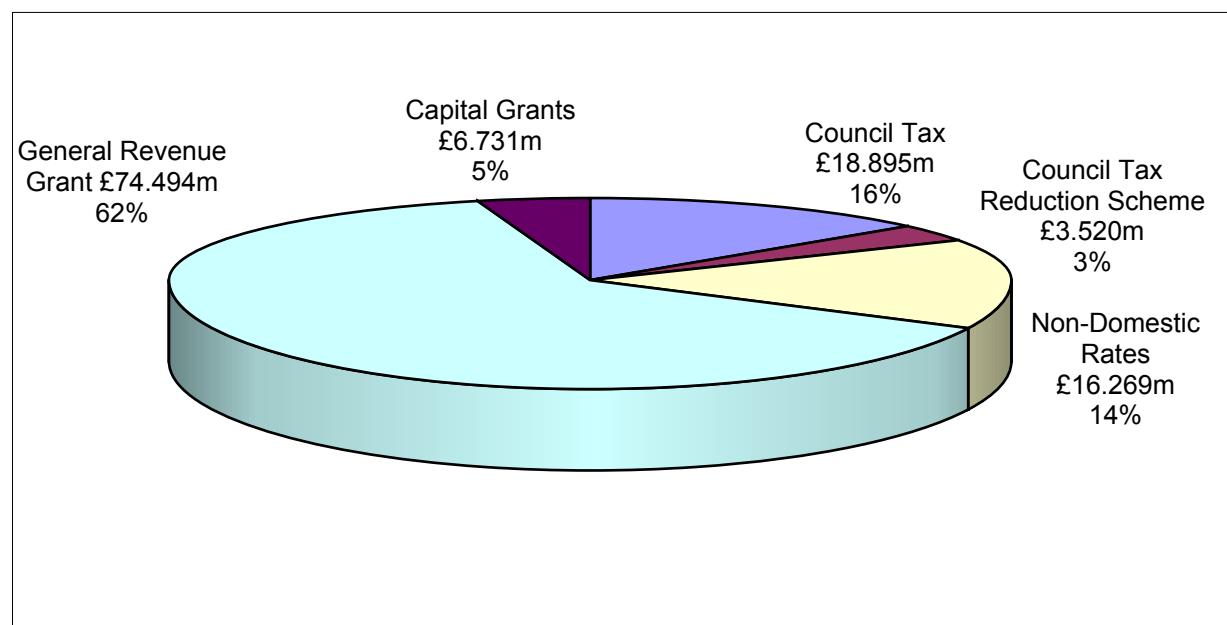
The Council's income and expenditure for financial year 2016/17 is detailed in the Comprehensive Income and Expenditure Statement set out on page 84. In addition to this a new Expenditure and Funding Analysis statement has been included this year that shows financial position in line with the Council's own management reporting structure and is set out on page 83. This replaces the previous requirement to present the Cost of Service in line with Service Reporting Code of Practice (SeRCOP). During the year, regular performance reports to Service Committees and the Audit and Finance Committee provided details of performance of each council service and the Council as a whole respectively. At the end of 2016/17, the underspend achieved in the year compared to budget was £1.218m.

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Sources of Income to the Council

Exhibit 2: Proportion and source of income received in 2016/17

The largest source of funds was the General Revenue Grant and Non-domestic Rates received from Scottish Government which amounted to £90.763m (2015/16: £94.128m). 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 198). Income from Council Tax in 2016/17 was £18.895m (2015/16: £18.658m). Funding was also received from the Scottish Government for the Council Tax Reduction Scheme for which the Council received income of £3.520m (2015/16: (£3.520m)). In 2016/17 capital grants totalled £6.902m, £0.171m of which was transferred to Common good and third parties (2015/16: £5.929m). The proportions of income received by the council in each of these categories are shown in the following chart:



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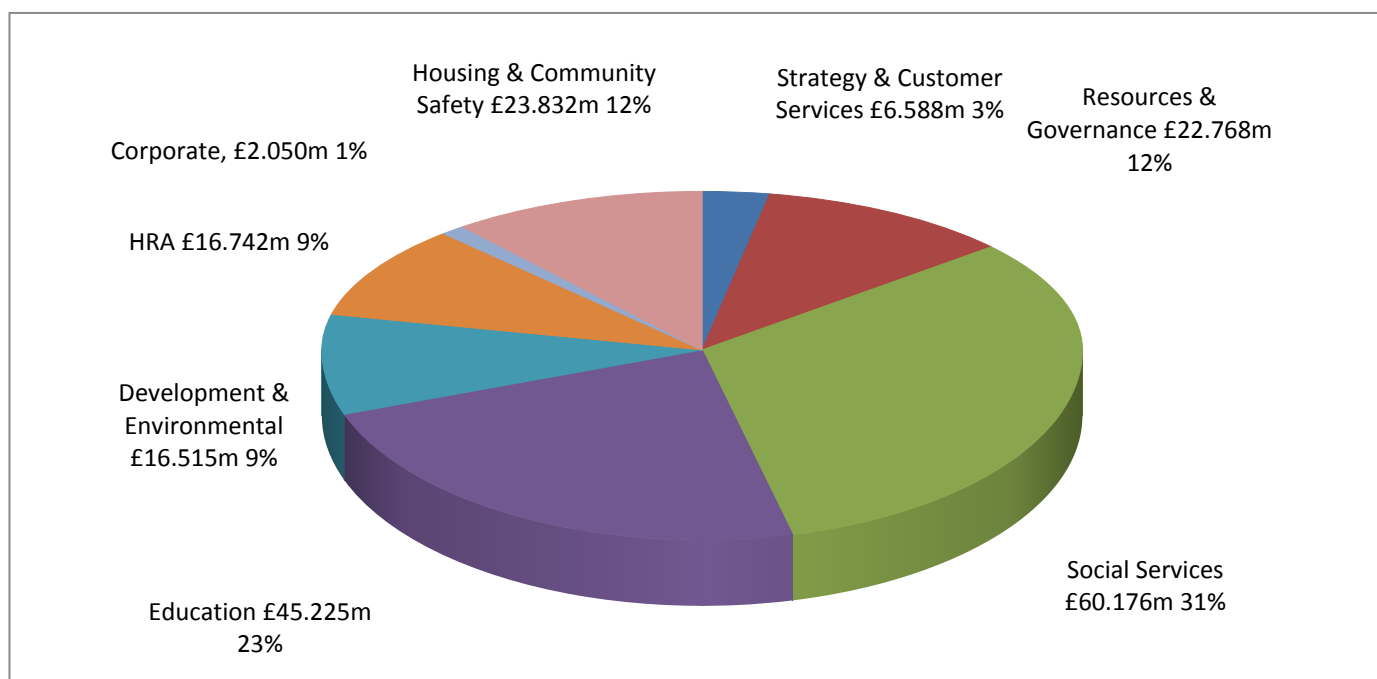
Council Revenue Expenditure Summary

Exhibit 3: Proportion of 2016/17 Revenue Expenditure by Service

In 2016/17 the total operating expenses for service delivery was £194m (as detailed in Comprehensive Income and Expenditure statement on page 84). This level of expenditure indicates the significant size and complexity of the organisation.

Exhibit 3 below shows the expenditure apportioned by service with Education and Social Services having the highest levels of spend.

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

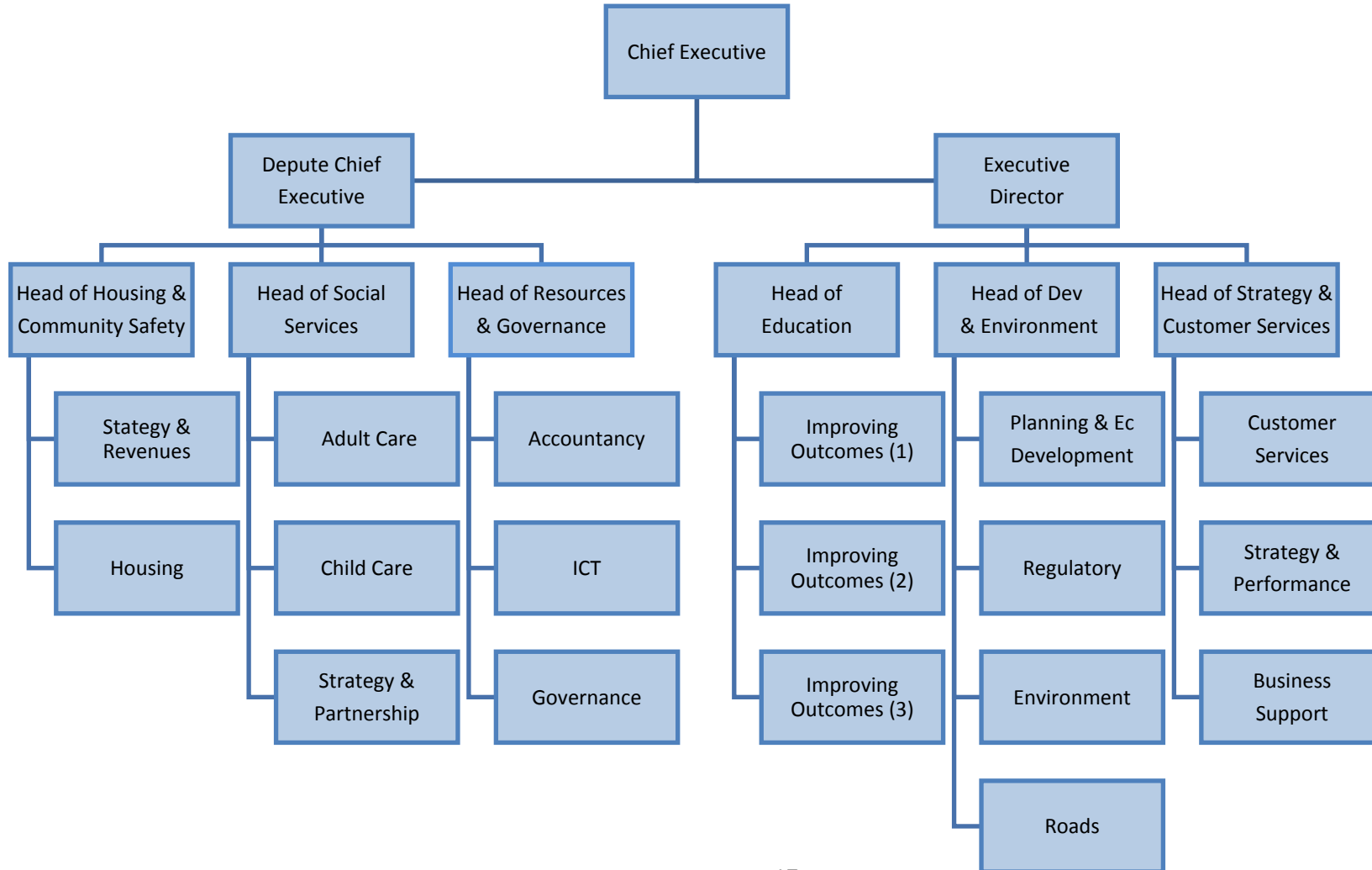


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Management Structure

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: 2016/17 Summary of Council reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Capital Grants Unapplied £000	Total £000
Restated Opening Balance as at 1 April 2016	13,987	710	2,148	1,255	329	18,429
Enhancements (Utilisation)	(3,976)	1,252	(33)	-	293	(2,464)
Transfers				-	-	-
Annual Interest	115	11	-	6	-	132
Closing Balance as at 31 March 2017	10,126	1,973	2,115	1261	622	16,097

A comprehensive analysis of the Council's reserves is provided in the Movements in Reserves Statement on page 86 and supporting notes. It will be noted that total usable reserves have reduced from £18.429m at 31 March 2016 to £16.097m at 31 March 2017.

The General Fund has decreased from £13.987m at the start of the year to £10.126m at March 2017. The uncommitted element of this balance, which represents the service income and expenditure approved and monitored throughout the year, recorded a surplus of £1.218m which is an increase on the figure of £0.570m at December 2016, reported to Audit and Finance Committee in March 2017.

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Council Reserves (continued)

Of the £10.126m balance at 31st March 2017, £5.234m 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 2016/17

	Total
	£000
Devolved School Management	21
Organisational Change Fund	448
Change Funds	93
Other Miscellaneous Service commitments	480
Employment Fund	2,585
City Deal	150
Sum approved in support of 2017/18 Budget	1,457
Net Committed Reserves	5,234

The uncommitted element of General Fund at March 2017 which is generally available to support future expenditure stood at £4.892m. 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 4.4%.

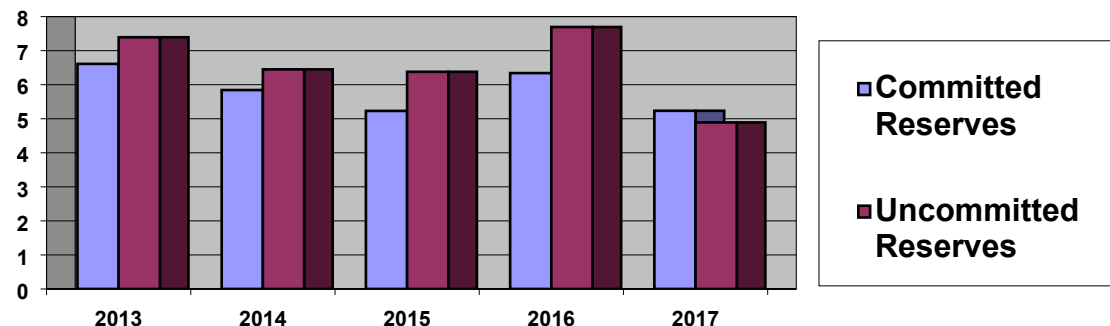
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Council Reserves (continued)

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

Exhibit 7: Trend in reserves position 2012/13-2016/17

£ 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 (£1.527m as at December 2016 reported in March 2017). This overspend was after an additional £2m was agreed by Council to offset emerging demands since the 2016/17 budget had been set. Significant work was undertaken to improve on this position, including the preparation of a separate Financial Performance report which was reported to the Audit and Finance Committee during the year and, separately, work taken forward to undertake a Scrutiny Review of Child Care within the Council. This resulted in a 14% reduction in the projected overspend by 31 March 2017 (£1.31m). It also highlighted improvement areas with regards the potential future models of service delivery and the need to review how services are commissioned

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 fully embedded.

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	2016/17	2015/16
Reserves			
Uncommitted General Fund Reserve proportion of Net Expenditure	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Policy is 3% of net expenditure which is considered appropriate in the context of the Council's financial and ongoing risk profile. The reduction in reserves this financial year is £3.861m was mainly as a result of the planned use to support organisational redesign.	4.44%	7.13%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve. The movement is due to planned utilisation of overall reserves to support strategic long term change and service delivery. This has reduced the proportion of uncommitted reserves against an overall reducing reserves balance.	(36.42)%	20.61%
Council Tax			
In-year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to aim to increase its collection rate despite the current economic climate and its effect on the local economy. Increase of 0.08% 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.	95.85%	95.77%

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Financial Indicator	Commentary	2016/17	2015/16
Council Tax (continued)			
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.	15.76%	15.26%
Financial Management			
Actual Outturn compared to Budgeted Expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year	99.01%	96.22%
Actual contribution to/from Unallocated General Fund Balance compared to Budget.		99.06%	96.08%
Debt/Long-term Borrowing			
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.	£147.006m	£153.293m
External Debt Levels for the current year		£146.149m	£146.367m
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%	8.12%
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 2016/17 on General Fund Services (including operational Common Good properties) was £8.254m and on Housing was £8.485m. This represents 52% of the budgeted spending level.

Expenditure	£000	Financed by	£000
Community Investment Strategy	3,823	Government Grants & Contributions	6,902
Property Asset Management Strategy	49	Capital Receipts	2,925
Roads Asset Management Strategy	2,981	Capital Finance from Revenue	4,912
Land Asset Management Strategy	27	Borrowing	2,000
Fleet Asset Management Strategy	752		
IT Asset Management Strategy	622		
Housing Business plan	8,485		
	<hr/> 16,739		<hr/> 16,739

During 2016/17 the Council invested £16.568m of capital expenditure on its own assets and granted £171k to third parties including Common Good. This reflects an underspend of £11.107m on the budgeted programme and an increase on the underspend of £2.030m projected in December and reported to the Audit and Finance Committee in March 2017. This underspend is mainly due to a rephasing of projects into future years including the review of the School Estate (£1.9m) and the Children’s Residential Unit (£1m).

Capital expenditure in the year has been financed by capital receipts (£2.925m), government grants and contributions (£6.902m) and direct revenue funding (£4.912m) leaving a balance of (£2.000m) required to be financed from borrowing. Principal repayments towards external borrowing of £6.975m were made in the year.

Capital Receipts

Receipts held in the capital receipts reserve total £2.115m. An amount of £0.622m was also held in the capital grants and contributions unapplied account at the year end. These sums have been earmarked to support delivery of the Council’s 2017/18 budget and the continuation of the Council’s Organisational redesign programme in the funding of the statutory element of voluntary severance.

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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 £6.175m against a budgeted surplus of £4.918m. From this surplus a revenue contribution to capital of £4.912m was made in accordance with the Housing Business plan to achieve the Scottish Housing Quality Standard and enhanced Clackmannanshire Standard.

This has resulted in a surplus in the year of £1.263m as shown in the movement in reserves statement. Working balances available to the Housing Revenue Account have therefore increased to £1.973m as at 31 March 2017. This balance will continue to be earmarked to support the delivery of the Housing Business Plan in line with our approved strategy.

The Housing Revenue Account incurred net capital expenditure of £4.912m which has ensured that the housing stock is 97.3% compliant with the Scottish Housing Quality Standard. The main areas of spend are £1.995m on Central Heating, £1.615m on Roof and Render work and £1.549m on Window Replacement. In addition to this the Council continues to invest in New Build Housing, with new houses now available in Tillicoultry and 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 2017 which supports our investment and development of long-term assets totals £146.149m, consisting of:

External borrowing	£103.745m
PFI and other finance leases	<u>£42.404m</u>
Total	£146.149m

This is a decrease of £0.216m on the previous years external debt position of £146.367m. This movement is made up of £1.094m additional borrowing undertaken to fund the capital programme and repayments were made to PFI and other Finance leases of £1.310m. The Council continues to work towards reducing overall external debt in line with its policy set out in the Treasury Management Strategy.

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Debt (continued)

In line with the Prudential Code and Treasury Management Strategy any borrowing undertaken is required to be prudent, affordable and sustainable. As at 31st March 2017 the Council was in an under-borrowed position which meant that its level of borrowing was less than its capital expenditure. Further detailed information including performance indicators can be found in the Council's Annual Treasury Management Strategy Statement 2016/17 set by Council on 3 March 2016 and the Annual Treasury Report 2016/17 agreed by Council on 28 June 2017.

External interest on this borrowing that was paid in the year amounted to £8.838m (2015/16 £8.972m).

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 2017 is £42.092m and this sum is included within the Council's overall borrowing position referred to above.

The unitary charge paid to the operator in 2016/17 was £7.540m (2015/16: £7.421m) 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 36 on page 172.

During 2010/11 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 2016/17 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 2017/18 will facilitate the resolution of issues currently classified as contingent liabilities on page 183.

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Net Pension Liability

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at 31 March 2017 disclosed a deficit of £163.343m (2015/16: £108.274m). 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 2017 and contributions to the fund continue in line with current actuarial advice which is consistent with our planned annual stepped increases.

The pension deficit records a deterioration of £55.069m on the position recorded at 31 March 2016 as a result of the latest valuation of the fund. This latest valuation saw a reduction in the discount rate which resulted in an increase in the liability. Although this liability does not have an immediate impact this is something that the Council will review in line with the next triennial valuation effective from 2018/19.

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 2016/17 four provisions are included in the financial statements in respect of equal pay, contractual damages claim, insurance liabilities and PPP legal costs.

Legal Costs PPP

A new provision of £50k has been made in 2016/17 to cover the Council's estimated legal costs associated with the ongoing dialogue with the Council's PPP FM provider about the legal interpretation of contractual definitions. The matter is anticipated to be concluded within the 2017/18 financial year with the provision being either fully utilised or released back to general reserves.

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Equal Pay

The provision brought forward from 2016/17 to settle equal pay claims has been reclassified from long to short term provisions on the basis that it is anticipated that outstanding claims will be concluded by 31 March 2018. Payments of £30k have been made during the year and the provision reduced by £2k to reflect current estimates to settle the remaining claims. The remaining balance of £92k has been transferred to short term provisions and it is anticipated that this will be sufficient to complete the settlement of the remaining claims (including statutory oncosts).

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 £43k provision brought forward from 2015/16, £29k was utilised in year with the balance of £14k being released back to general reserves. There are no further voluntary severances cases that had been agreed at 31 March 2017 where the employee had not left before that date.

Damages Claim

During 2016/17, the provision of £300k brought forward from 2015/16 was fully utilised in settling the final phase of an ongoing contractual dispute. An additional provision of £150k has now been established based on an estimate of the final costs likely to be required to conclude this action.

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. However, 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 provision to cover a levy of up to 30%, amounting to £153k. Payments of £139k have been made from the provision which includes an actual increase of the levy from 15% to 25%. The remaining provision has been increased by £12k based on latest estimates of the liability and split with a short term provision of £3k to meet a claim that is expected to be settled within the 2017/18 financial year, and the remaining £23k as a long term provision to meet future claims.

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Legal Costs

During 2016/17 the Council was involved in ongoing legal action which has resulted in external legal costs. The Council made a provision of £78k at the end of 2015/16 to cover estimated costs of scheduled activities. £26k of this provision was utilised during 2016/17 with the remainder of £52k being released back to reserves. There are no further cases outstanding at 31 March 17.

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 2016/17, four contingent liabilities are disclosed (note 39, page 184) in respect of Equal Pay, Insurance, a Health and Safety case and PPP. The Council has no material contingent assets at the Balance Sheet date.

Property Plant and Equipment

The planned implementation to changes to the measurement of Highways Infrastructure Assets has been delayed indefinitely due to further review work being required. This change will require 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.

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
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Business Environment and Risks

A key economic variable during 2016/17 has been the impact of Brexit on the UK economy. Thus far, the impact has been muted with share prices remaining relatively positive and the pound demonstrating some recovery against the dollar after the initial slump. However, it is still very early in the process and it remains likely that uncertainty will continue to prevail until Brexit actually commences in more practical terms, though the timescales for this remain uncertain too.

In February 2017, the Office for National statistics (ONS) reported UK price inflation of 2.3% which is above the Government's 2% target for the first time since September 2013. Future inflation rates are difficult to predict. However, it is clear that Brexit and the consequential devaluation of the pound have made imports more expensive. As a consequence, there is economic evidence to suggest that businesses are now passing on some of their increased costs to consumers. These conditions suggest that inflation is likely to increase further during 2017.

As well as the potential impact on the prices of procured and commissioned goods and services, further increases in inflation also has implications for future wages. After a period of low wage increases for a number of years, particularly in the public sector, it is likely that workers, through pay negotiations, will be seeking higher wages to compensate for increasing prices

The Office for Budget responsibility (OBR) forecasts that:

- the UK economy will grow at a faster pace in 2017/18, offset by slower growth thereafter
- public finances have improved during 2016/17 but largely due to one-offs rather than fundamental reprioritisation
- the UK Government has still not met its target of a balanced budget by 2021/22 and there are suggestions that more difficult decisions are to come.

Scottish economic performance has been weaker when compared with the UK as a whole. In 2016, the Scottish economy grew by 0.4% compared with 1.8% in the UK as a whole. This in turn suggests a poorer short to medium term economic outlook for Scotland, largely down to a poorly performing economy resulting in lower tax revenues with a potentially consequential knock on impact of lower public spending.

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Business Environment and Risks (continued)

The next Scottish Budget seems likely to be a one year settlement which makes it difficult to undertake medium term financial planning and get a clearer sense of the Scottish Government's spending priorities. Post Brexit, there will need to be a revised UK Spending Review. This will, in particular need to consider the budgets associated with returned spending areas such as Agriculture and Regional Assistance. From a Scottish perspective, many of these returned powers may become the responsibility of the Scottish Parliament, putting greater pressure on the resources available. As previously highlighted, it is anticipated that the greatest pressure over the current Spending Review Period will continue to fall on day to day revenue expenditure.

The Scottish Spending Review/ Draft Budget announcement is anticipated in December 2017 and it is likely that this will only provide figures for the next financial year, potentially further frustrating efforts to refine 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.

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.

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Business Environment and Risks (continued)

This must be considered alongside the prospect of raised expectations in respect of continuing wage inflation in 2017/18 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 and financial 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 Brexit negotiations, the potential for political change at a UK level 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.

CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2016/17 *Management Commentary*

Plans for the Future (continued)

Similarly, the Council is also actively implementing and supporting the Scottish Government's policy reform programme in Education. Recent months have seen a period of transformation in Clackmannanshire's Education service. The new Senior Management Team has brought a renewed focus on impact and outcomes, with the development of robust improvement and measurement plans. Funding from Scotland's Attainment Challenge Programme and the new Pupil Equity Fund will support our ambitious plans to move education in Clackmannanshire towards excellence.

These plans have been scrutinised and approved by both the Scottish Government and Education Scotland.

Evaluation and feedback from stakeholders, highlights the impact previous funding from the Scottish Attainment Challenge has made, but also identifies where the gaps remain. There is a strong rationale for a relentless continued focus on health and wellbeing of children in Clackmannanshire from pre-birth to adulthood.

City Deal

The Council is actively delivering ambitious plans in a joint City Deal bid with Stirling Council. Chancellor Philip Hammond confirmed in his Spring Budget on 8 March 2017 that negotiations were underway on a City Deal for the Stirling City Region, including Clackmannanshire. Both Westminster and Scottish Governments are working closely with the city region partners to understand our ambitions and develop proposals which would unlock investment and secure transformational growth in the regional economy. Tripartite discussions and workshops between the Councils and both Governments commenced in May and have focussed in on key priorities such as socially-inclusive growth; enabling infrastructure (such as roads, social housing and schools); business development opportunities; town centre regeneration; tourism; employability support and renewable energy.

In the case of Clackmannanshire initial priorities were informed by a series of Stakeholder Workshops involving some 80 individuals from almost 20 organisations. The process generated a long list of potential projects which are being refined as part of the joint-working with Stirling Council and both Governments to form a coherent regional bid. Following further stakeholder engagement and approval by both Councils, including formal governance arrangements between the Councils, it is expected that 'Heads of Terms' will be agreed towards the end of the year.

Significant work is also being developed to take forward the corporate redesign programme, which provides a significant opportunity to benefit from the integration of Education and Social Work services following the cessation of shared service arrangements.

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Plans for the Future (continued)

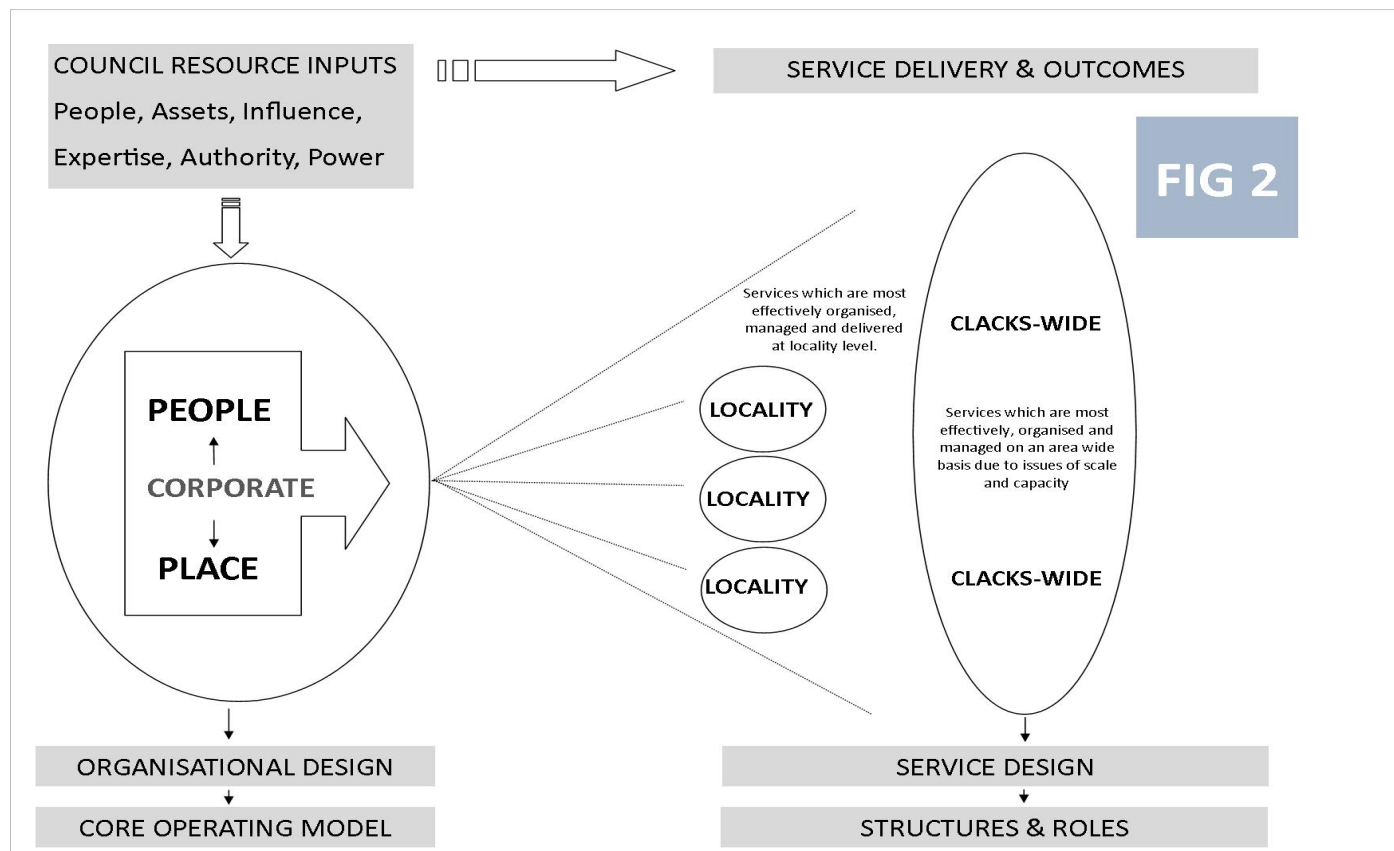
The combination of anticipated cost pressures, coupled with reduced government grant income in the context of a significant ongoing public sector reform, presents significant challenges and financial risks to the Council over the medium term. The Council estimates that between 2018 and 2021 further budget reductions of approximately £28.9m 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.

CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2016/17 Management Commentary

Plans for the Future (continued)

In February and March 2017, Council agreed a new strategic organisation design (see figure below) and tasked senior management with bringing detailed options back for consideration.



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Plans for the Future (continued)

The Council has agreed that the redesign needs to achieve:

- better service performance;
- improved customer satisfaction;
- affordable services;
- financial sustainability; and
- more effective contributions to meeting outcomes.

In order to deliver financial sustainability and the priority outcomes shared with the Council's community planning partners, the approach to redesign needs to:

- focus on clear priorities and target resources to greatest effect;
- transform services so that they best meet user needs, which may mean having different models of delivery and doing things in different ways; and
- be as efficient and effective as possible in everything it does.

The new design is based on the Council's diverse and varied range of services being consolidated into three broad categories:

- **People** refers to services which are directly and primarily focused on individuals, families or groups of individuals with certain needs (e.g. education, social work, housing support);
- **Place** refers to services which are directly and primarily focused on environments and geographic areas (e.g. planning, roads, strategic housing, waste); and
- **Corporate** refers to services which are directly and primarily focused on supporting the Council to deliver its people and place priorities (e.g. legal, HR).

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Plans for the Future (continued)

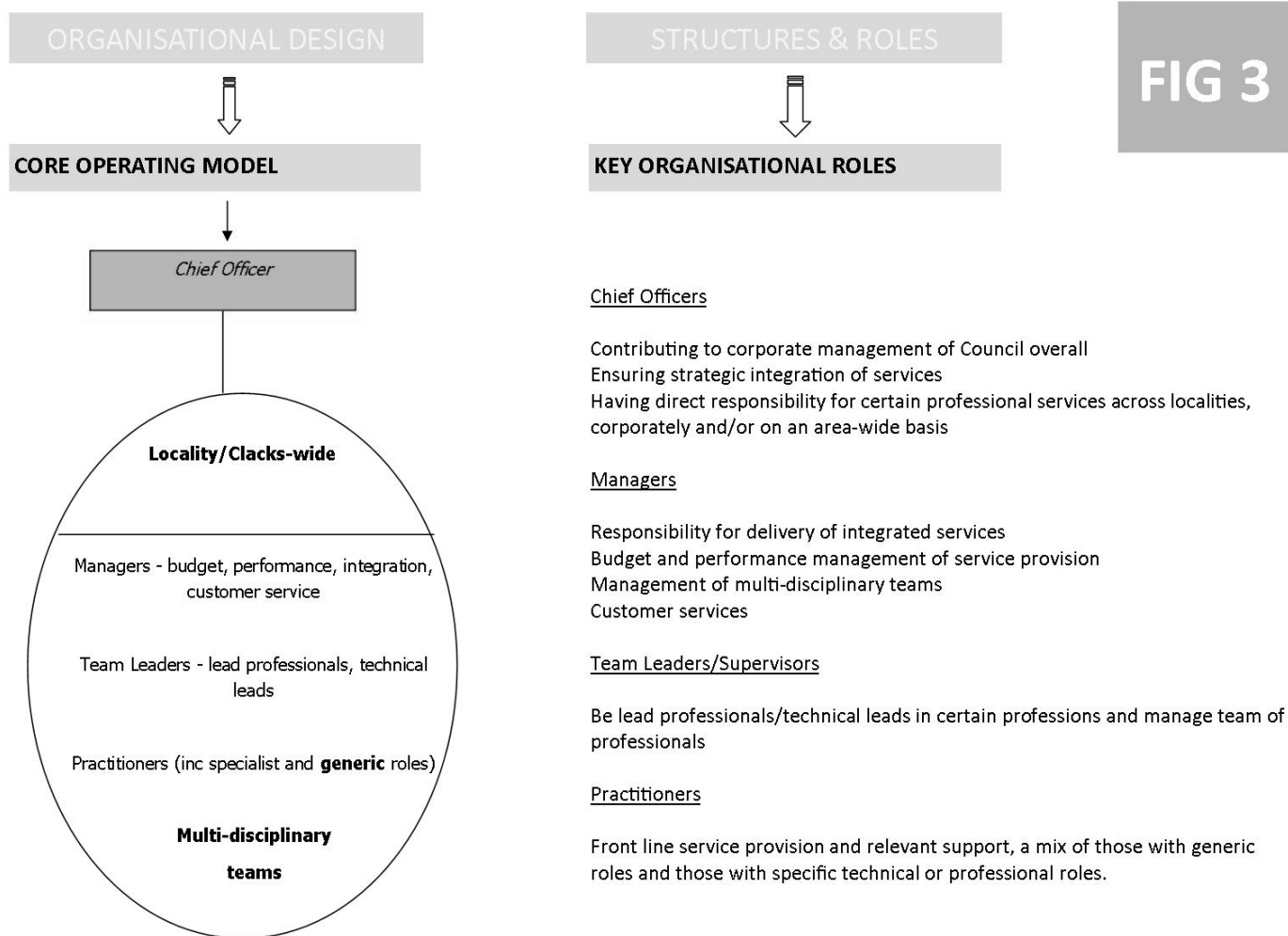
It is proposed that the new design will dispense with traditional departments and instead focus on integrated management of multi-disciplinary teams (e.g. rather than discrete social services childcare and education provision, there could be a single family support or children's service).

Services, whether People or Place, will be reviewed to determine the level at which they were most effectively and efficiently delivered (i.e. whether at locality level or on a Clackmannanshire-wide basis), with the expectation of there being much more local provision, particularly in respect of the People Services. This would not mean the creation of standalone (silo) area teams but rather a more flexible and fluid approach to how and where the Council delivers its services. Localities could be small areas, towns or groups of towns depending on the services in question.

CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2016/17 Management Commentary

Plans for the Future (continued)

3.16 Flowing from this general overall design are a proposed core operating model and associated organisational roles which are set out



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Where to Find More Information

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

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

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 Tullibody Campus, City Deal, new Education and Social Work services, corporate redesign, the Road Assets Management Plan and the embedding 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 2016/17 financial statements.

Councillor Sharp
Leader of Clackmannanshire Council
28 September 2017

Elaine McPherson
Chief Executive
28 September 2017

Nikki Bridle
Depute Chief Executive
28 September 2017

CLACKMANNANSHIRE COUNCIL
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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 the draft Annual Accounts were approved for signature by Council at its meeting on 28 June 2017 and the audited accounts were approved on 28 September 2017.

Signed on behalf of Clackmannanshire Council

Councillor Sharp
Leader of Clackmannanshire Council
28 September 2017

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 and its group at the accounting date and the transactions of the Council and its group for the year ended 31 March 2017.

Nikki Bridle
Depute Chief Executive
28 September 2017

CLACKMANNANSHIRE COUNCIL

ANNUAL ACCOUNTS 2016/17

Annual Governance Statement

Introduction

Good governance is critical to the success of the Council in achieving its strategic aims and objectives 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.

CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2016/17 Annual Governance Statement

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 2016/17 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 Statement of Accounts gives a true and fair view of the authority's financial position at the reporting date and its financial performance during the year. It also complies with the Local Authority Accounts (Scotland) Regulations 2014.

The Purpose of the Governance Framework

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

As risk can never be eliminated completely, effective risk management is a key element of good governance and 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 and non-financial terms such as reputational, social and political impact. The Council aims to manage these risks proportionately and effectively.

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Annual Governance Statement

The Council's Governance Framework

The Council's current Governance Strategy together with its Local Code of Governance is the foundation for this governance statement. Work to revise the local code has taken place following the revised CIPFA guidance on Local Authority Governance that was published in April 2016 and the specific Scottish Country Guidance that was published in November 2016. The revised code will be presented to Council as soon as possible after its formal establishment following the May 2017 elections. The current Governance Strategy still 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 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;

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The Council's Governance Framework (continued)

- developing and maintaining a culture that is committed to good governance and ensuring that appropriate standards of behaviour demanded of public servants are upheld;
- 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.

The Council designated the Acting Legal Services Manager as Monitoring Officer in accordance with S5 of Local Government and Housing Act 1989.

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 plans in order to provide assurance about key priorities. The Panel for 2016/17 was comprised of the Chief Executive and Head of Resources and Governance and scrutinised the following areas:

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Assurance Process (continued)

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

A key part of the process is that each Head of Service provides assurance, supported by sufficient evidence, that their risks and service delivery are being managed appropriately. Within the assurance reviews, Heads of Service 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 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*. The Council, with its alliance partners, has been preparing for the transition in 2017/18 from the SOA to the new Local Outcome Improvement Plans.

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.

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Review of Effectiveness (continued)

Following the election of a new Council in April 2017 work will be taken forward to produce a new corporate plan and planning framework.

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;
- Financial Regulations.

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

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

The assurance process demonstrated that risk registers are largely in place within services but further work is required in regard to their review and maintenance. Risk management in relation to major corporate projects or multi agency projects is improving.

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Review of Effectiveness (continued)

During the year the Council developed a consortium audit arrangement with Falkirk Council for the provision of Internal Audit Services. The agreement formally commenced under a joint working arrangement on 1st April 2017 as a 1 year pilot. A review will take place at the end of the year to ensure that the arrangement works in the best interests of both Councils. An internal Audit plan was presented to the Audit and Finance Committee in March. Falkirk's Head of Internal Audit will serve as Clackmannanshire's "Chief Audit Executive" in compliance with PSIAS regulations. The arrangement has been developed to capture the opportunity to reduce headcount following the departure of the Council's Internal Audit and Fraud Manager to another employer. Falkirk's Internal Audit team offers a wider range of IA experience and skills than Clackmannanshire would be able to develop and maintain on its own. Transitional arrangements were put in place during the latter half of 2016/17 which meant that for a period of time the Council did not have a an Internal Audit lead manager with the required professional qualifications. The situation was closely monitored and the progress of the year's Internal Audit plan and the support given to the Council's audit team reported through to the Audit and Finance Committee.

The Council will retain an independent fraud manager although the arrangements for the management of fraud within the Council will be further considered during the year in the light of the learning from the pilot and the structural changes planned to be progressed in the Council's management structure.

Internal Audit's Annual Plan for 2016/17 was agreed by Resources and Audit Committee on 25 February 2016. The Plan proposed 19 main assignments. The departure of the Internal Audit and Fraud Team Leader during the year, as well as various other staffing changes, impacted on the delivery of the Plan. 11 of the 19 planned assignments were completed. While this falls short of completion of all planned Internal Audit work, it does support a balanced and evidence based opinion on the overall adequacy of the Council's control environment. On the basis of the work undertaken, Internal Audit is able to provide Reasonable Assurance in relation to the Council's arrangements for risk management, governance, and control for the year to 31 March 2017. Internal Audit provided significant assurance for 6 reviews, reasonable assurance for 4 and the last review was considered as a consultancy assignment so no rating was given. The Council also took part in National Fraud Initiative and provided data sets to Audit Scotland for matching and follow up analysis.

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Review of Effectiveness (continued)

The Council completed a project to procure and implement a new finance system. The new system, Tech 1, 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 are significantly improving the accuracy and governance of procurement activity. The Accountancy Service will be considering its own structure and how best to exploit the opportunities that Tech 1 is providing during the year. As with any major IT implementation and change project, some challenges remain in realising the full benefits. Ongoing training for all Council managers and relevant staff and examination of some of the Council's key financial processes such as invoice processing, budget monitoring and budget forecasting will be undertaken as a business as usual activity for the accountancy team. Clearly intense testing is required to prepare for the annual accounts to ensure that continuity between the old and the new systems is maintained and accurate reporting of financial performance is achieved. Various issues were identified throughout the year, such as the timely reconciliation of payroll, and work has taken place between the relevant departments to ensure that issues are managed and resolved.

A report on Procurement activity in the Council was provided to the Scrutiny Committee in December 2016. Additionally, and in compliance with The Procurement Reform (Scotland) Act 2014 Section 18 that states the Council must prepare a procurement strategy by 31 December 2016, an interim strategy was agreed by Council. A consultation on the future direction of both the procurement function and the role of the Council's procurement activity in the local economy will be undertaken to inform a full strategy. Internal and external stakeholders will be encouraged to provide their views.

A Procurement Capability Improvement Programme assessment was undertaken by Scotland Excel which uses a new methodology for assessing procurement capability. The initial feedback for the Council was encouraging. An overall score of 46% was achieved. This is a strong position to start the new assessment process and forms a good base to progress from. The assessors commented: "it is apparent that there is a clear understanding of what is required to allow on going development." Benchmarking data to allow comparison with other public bodies is not yet available but it is anticipated this will be available towards the end of 2017.

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Significant Governance Issues

Workforce Planning

The Council has reaffirmed its commitment to no compulsory redundancy and gave authority to proceed with voluntary redundancy as part of the 2017/18 budget arrangements in addition to voluntary severance. Services have been developing workforce plans to enable a strategic view of future requirements including the rating and management of immediate risks to service delivery. The workforce plans will be refreshed in 2017/18 as the re-design of the Council's structure is taken forward.

Health and Safety

Following a number of serious health and safety breaches in the previous financial year steps have been taken to review the management structures and current Health and Safety processes. An action plan for improvement has been developed and all senior management will be undertaking specific training in early 2017/18. The annual report on health and safety performance was presented to the Scrutiny committee in December 2016.

Organisational Change

Changes in political administration at both the start and end of 2016/17 led to shifting organisational priorities and the way that committees were structured. Whilst managers were still able to develop internal changes in their own services the change in political priorities and committee structures required an adaptation to existing approaches and assumptions. Monitoring activity on budget savings and corporate projects continued to be the focus of the Corporate Management Team and the Audit and Finance Committee.

The election of a new Council and establishment of a new administration will provide the opportunity to revitalise corporate planning and create a medium to long term view of the Council's priorities and the resources available to deliver those.

Major project developments such as City Deal are stretching the organisation's capacity to plan and implement major projects because of the staffing capacity within the Council and the availability of the skills required to manage infrastructure projects over and above what is identified in the Council's capital programme. A clear focus on priorities and optimising synergies between projects is recognised as essential if the Council is to fully exploit the opportunities presented by City Deal.

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Organisational Change (continued)

Corporate Support

The continuing and necessary contraction of staffing has led to 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. Transformational change now ongoing in the Council means that managers and staff at all levels will be asked to readily engage with advancing technologies, Council policies and procedures and provide support to corporate support services whilst processes are reviewed, new systems are being procured and old or obsolete systems are being replaced.

In particular, the capacity for the Council to demonstrate and deliver best value through its procurement activities, given a very small central resource relative to the size of the Council, is seen as a risk. This risk will be analysed as part of the development of the Council's procurement strategy although the investment in the Tech 1 system and extensive use that the Council makes of Scotland Excel and other procurement frameworks will continue to strengthen governance in the Council's procurement activity. The balance between non-compliance with set procedures and the requirement for more access to strategic level support for Services with novel or unusual procurement projects needs to be captured to ensure that the right kind of investment is made and greater assurances can be given about the robustness of the Council's processes.

Information management

The Council's Records Management Plan has been developed to comply with the requirements of the Public Records (Scotland) Act and was submitted for the Keeper's approval. Some minor points were made requiring the submission of extra evidence which was forwarded to the Keeper in May 2017. Work is ongoing to keep improving approaches to information management and record keeping. Social work records were relocated to a more secure environment and a programme was initiated by IT to introduce a corporate file structure and delete historic emails and redundant files. Work is now ongoing to look at cost effective solutions for the storage of paper records where that is still required and the optimisation of the Council's electronic document management system. Corporate training and awareness about data protection is an area that requires constant promotion. The Council has eLearning resources at its disposal to provide knowledge and awareness for staff.

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Information management (continued)

There was one major data breach incident in 2016/17 concerning the potential breach of the 7th data protection principle. This concerned the issue of council tax demands. Investigation revealed that the issue lay with the contractor undertaking the mailing and acting as data processor and around 750 people were potentially affected. Organisational measures have been put in place to prevent a breach re-occurring. The Council self-reported the incident to the Information Commissioner's office who confirmed by E mail on 5th July that no further action would be taken by them.

The Council is aware that General Data Protection Regulations (GDPR) come into force in the UK on the 25th May 2018 and work to ensure compliance will be taken forward to ensure awareness and compliance by the Council's Resources and Governance service. The work completed already in regard to records and information management provides a firm foundation for this work.

Shared Services

Shared service arrangements for education and social work services with Stirling Council formerly ended on 31st March 2017 although operationally, new structures have been established in Clackmannanshire during the year for both services.

A senior management team for Education has been appointed including a new Head of Service. Generally the transition has been seamless in regard to continuity of service. Education management are now fully focused on the core issues facing the service such as closing the attainment gap, developing the school estate and supporting Head Teachers in the management of extra funding made available by the Scottish Government.

A new Head of Social Services was also appointed during the year and new senior team is being recruited. The transition to independent arrangements has again been managed efficiently and the social work senior management is fully focussed on addressing the challenges that face social work as a service. This includes areas such as demand and budget forecasting, commissioning and the need to scope new ways of working including the requirement for improved digital infrastructure to support front line staff.

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Shared Services (continued)

Now that Clackmannanshire is working independently, some gaps in corporate policies have been identified in both services as well as the opportunity for the services to work more closely together. New policies are being developed or the policies created under the shared services arrangements are being adapted. In particular emphasis will be placed on developing family support and a more integrated approach to providing services to children is being pursued.

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. Work has commenced on the transition from Single Outcome Agreements to Local Improvement Partnerships which build on the positive partnerships formed within Clackmannanshire but have a much greater focus on communities of interest or of place.

Governance Policies

Core documents comprising the governance framework including financial regulations, the scheme of delegation, standing orders and contract standing orders need to be revised and presented to Council for agreement to reflect current working practices, advances in technology and changes in legislation. Progress in reviewing these core documents has been made during 2016/17 and with the election of a new council. Revisions will be presented to elected members for review and agreement during 2017.

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Statement

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

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

Internal Audit have provided me with reasonable assurance for the year 2016/17 and an Internal Audit plan is in place for 2017/18 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, with actions logged on the council's performance management system, Covalent, 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:

- Workforce planning and organisational development to ensure that the council's resources are sufficiently well deployed to deliver corporate priorities and transformational change;
- Succession planning and learning to mitigate against loss of knowledge, skills and experience as staff numbers contract;
- Management of the Council's finances and in particular realising the benefits of the investment in the new financial ledger system;
- Information management including data protection, records management and FOI arrangements;
- Procurement arrangements with particular regard to the governance arrangements, provision of advice and embedding of professional procurement practice across the Council;
- Revision of and 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 planning; and
- Risk management arrangements particularly managing the risk created by changing demographics such as an aging population.

Elaine McPherson
Chief Executive
28 September 2017

Councillor Sharp
Leader of the Council
28 September 2017

CLACKMANNANSHIRE COUNCIL **ANNUAL ACCOUNTS 2016/17** **Remuneration Report**

General

All information disclosed in the tables in this Remuneration Report is audited by Audit Scotland. The other sections of the Remuneration Report have been reviewed by Audit Scotland. The results presented in the eight tables comprising the Clackmannanshire Council's Remuneration Report for 2016/17 reflect the following contextual factors:

- During 2016/17 there were several appointments to senior administration positions of the Council due to two changes in political administration;
- As at 31 March 2017 there were 7 Senior Councillors in post. The maximum allowed for Clackmannanshire Council is 8;
- The committee structure was changed under the Labour administration at the Council meeting held on 2nd June 2016. Two new committees were established; Scrutiny Committee and Audit & Finance Committee, and the following committees and sub-committees were disestablished: Housing, Health & Care Committee; Education, Sport & Leisure Committee; Attainment & Improvement Sub-Committee; Enterprise & Environment Committee and Resources & Audit Committee.
- With the change in the committee structure the political responsibilities also changed with the deletion of the convenor posts for; Education, Sport and Leisure Committee; Enterprise & Environment Committee; and Resources and Audit Committee. One Depute Provost post was deleted along with the Portfolio Holder for Partnership, Equality & Diversity. In their place the following posts were created; Spokesperson for Education; Spokesperson for Health & Social Work; and Spokesperson for Environment & Housing.
- There was a further change of political administration on the 9th of March 2017 but the committee structure remained the same with new post holders.
- Following the Council decision on 22 October 2015 to end the current shared service arrangements for Education and Social Services it was agreed to establish a new Chief Education Officer post. Anne Pearson was appointed to this post on 13th June 2016. The official date for the ending of the Social Service and Education shared service agreement was the 31st October 2016.
- Pay increase of 1% effective from 1 April 2017 was awarded to Councillors and senior employees; and

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General (continued)

- 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 2016/17. Any agreed reductions are included in the remuneration figures detailed in tables 1, 2 and 3.

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 2016/6). 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 2016/17 was £28,157 (2015/16: £27,878). The actual salary paid to the holders of the Leaders post during 2016/17 was £4,832 Leslie Sharp and £19,939 Robert McGill (2015/16: Leslie Sharp £28,106). 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 2016/17 amounts to £21,118 (2015/16: £20,909). The actual salary paid to the holders of the Civic Head post during 2016/17 was £2,330 Tina Murphy, £14,953 Derek Stewart and £2,078 Gary Womersley (2015/16: Tina Murphy £20,330).

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Remuneration Arrangements (continued)

Councillors (continued)

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 £152,043 for 2016/17 (2015/16: £150,536). The total annual amount payable by the Council for remuneration to all its Senior Councillors shall not exceed £152,043. Although the council did not breach the financial limit on senior remuneration during the year due to the numerous changes in political administration during the year the actual number of senior councillors did breach the maximum of 8 at various points in the year.

The remuneration paid to Senior Councillors in 2016/17 covering the year 1st April 2016 to 31st March 2017 totalled £141,895 (2015/16: £129,772). This includes £2,386 paid to Councillor Holden (£731) and Councillor Earle (£1,655) for serving as Vice Convenor on the Valuation Joint Board (2015/16: £3,138). Also included is payments for serving on the Association of Public Service Excellence (APSE) for Councillor Sharp £228 (2015/16: £1,000) and Councillor Stalker £671, (2015/16: nil). This amount is recoverable from this organisation. The net cost to Clackmannanshire Council in relation to Senior Councillors is £138,610 (2015/16: £126,634). This complies with current regulations.

The Council is able to exercise flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Following the Council meeting on 2 June 2016 the Labour administration revised the 7 Senior Councillor positions to 8 positions; Provost, Depute Provost, Leader, 3 Spokesperson for Services and 3 Chairs of Committee's and Chair of the Licensing Board.

Following the local election in May 2017 the SNP took up administration on 9 June 2017 and the council appointed the following 8 Senior Councillor positions; Leader and Depute Leader of the Council, Provost and Depute Provost, 3 Spokesperson for Services and 3 Chairs of Committees.

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 under 'Elected Members' Remuneration'.

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Remuneration Arrangements

Joint Boards

Two joint boards exist; The Valuation Joint Board, and Clackmannanshire and Stirling Integration Joint Board which was formed on the 1 October 2015 and became fully operational on the 1 April 2016.

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to Councillors with the responsibility of a Convenor or a Vice-Convenor of a Joint Board such as a Valuation Joint Board. The regulations require the remuneration to be paid by the Council of which the Convenor or Vice-Convenor (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convenor or Vice-Convenor being a member of the Local Government Pension Service. Clackmannanshire Council made payments of £2,386 in 2016/17 (2015/16: £3,138).

The Council is reimbursed by the Joint Board for additional remuneration paid to the member from being a Convenor or Vice-Convenor of a Joint Board. There are no additional payments to members of the Clackmannanshire and Stirling Integration Joint Board.

Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/148 sets the amount of salary for the Chief Executive of Clackmannanshire Council for the period 2015/16 to 2016/17.

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.

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Remuneration Arrangements

Table 1

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

Post Holder	Position	Dates	Total Remuneration	
			2016/17 £	2015/16 £
Leslie Sharp	Leader of The Council	from 3 November 2014 to 11 May 2016 & from 9 March 2017	4,832	28,106
Robert McGill	Leader of The Council	from 2 June 2016 to 23 February 2017	19,939	-
Tina Murphy	Provost	from 6 January 2012 to 12 May 2016	2,330	20,330
Derek Stewart	Provost	from 2 June 2016 to 23 February 2017	14,953	-
Gary Womersley	Provost	from 23 February 2017	2,078	-
Sub Total Leader and Provost			44,132	48,436
Leslie Sharp	Spokesperson for Health & Social Work Chair of Scrutiny Committee Convenor Housing, Health and Care Committee	from 9 March 2017 from 2 June 2016 to 8 June 2017 from 1 June 2012 to 11 May 2016	- 14,258 -	- - -

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Remuneration Arrangements

Table 1

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

Post Holder	Position	Dates	Total Remuneration	
			2016/17 £	2015/16 £
Tina Murphy	Spokesperson for Environment & Housing, & Depute Provost	from 9 March 2017	1,164	-
Jim Stalker	Depute Provost	from 2 June 2016 to 23 February 2017	14,511	-
Irene Hamilton	Depute Provost	from 17 May 2012 to 11 May 2016	3,466	18,296
George Matchett	Spokesperson for Education	from 2 June 2016 to 23 February 2017	13,457	-
Ellen Forson	Spokesperson for Education Convenor of Education Sport & Leisure Committee	from 9 March 2017 from 1 June 2012 to 11 May 2016	3,262	18,296
Graham Watt	Spokesperson for Health & Social Work Chair of Scrutiny Committee	from 2 June 2016 to 23 February 2017 from 9 March 2017	14,622 -	- -
Kathleen Martin	Spokesperson for Environment & Housing	from 2 June 2016 to 23 February 2017	13,457	-
Donald Balsillie	Convenor of Enterprise & Environment Committee Depute Leader of the Council	from 1 June 2012 to 11 May 2016 from 9 March 2017	3,261 -	18,296 -
Janet Cadenhead	Chair of Audit & Finance Committee	from 2 June 2016 to 23 February 2017	13,457	-

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Remuneration Arrangements

Table 1

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

Post Holder	Position	Dates	Total Remuneration	
			2016/17 £	2015/16 £
Archie Drummond	Chair of Audit & Finance Committee	from 9 March 2017	2,725	-
Alastair Campbell	Convenor of Resources & Audit Committee	from 17 May 2012 to April 2016	-	18,817
	Chair of Planning Committee	from 17 May 2012	18,479	18,296
Walter McAdam	Chair of Licensing Board Convenor of Regulatory	from 14 June 2012 from 14 June 2012 to 22 June 2016	19,005	18,817
Kenny Earle	Portfolio Holder for Partnership, Equality and Diversity	from 15 May 14 to 11 May 2016	3,220	18,816
Craig Holden	Chair of Regulatory Committee	from 9 March 2017	1,164	-
Subtotal Senior Councillors			139,509	129,633
Valuation Joint Board Craig Holden	Valuation Joint Board – Depute Convenor	from 7 September 2012 to 23 June 2016	731	3,138
Kenny Earle	Valuation Joint Board – Depute Convenor	from 23 September 2016 to 31 March 2017	1,655	-
Sub Total Valuation Joint Board			2,385	3,138
Total Remuneration			141,895	132,771

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Remuneration Arrangements

Table 1

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

Notes to Table 1

Remuneration Report

1. There were no Taxable Expenses or Benefits other than in cash paid to any of the Senior Councillors in 2016/17 or 2015/16.
2. During 2016/17 there were three changes to the administration of the Council. These were SNP from 1st April 2016 to 11th May 2016, Labour 2nd June 2016 to 23rd February 2017 and SNP 9th March 2017 to present. There was no administration between 12th May 2016 and 1st June 2016 and between 24th February 2017 to 8th March 2017.
3. As a result of the three administration changes there were mid year appointments to senior positions. From 1st April 2016 to 11th May 2016 the Senior Councillors were; Les Sharp, Tina Murphy, Irene Hamilton, Alastair Campbell, Ellen Forson, Donald Balsillie, Archie Drummond, Kenny Earle and Walter McAdam.
From 2nd June 2016 to 23rd February 2017 the Senior Councillors were; Les Sharp, Robert McGill, Derek Stewart, Jim Stalker, George Matchett, Graham Watt, Janet Cadenhead, Kathleen Martin, Walter McAdam and Alastair Campbell.
From 9th March 2017 the Senior Councillors were; Les Sharp, Tina Murphy, Gary Womersley, Craig Holden, Ellen Forson, Graham Watt, Archie Drummond, Donald Balsillie, Alastair Campbell and Walter McAdam.
4. Where councillors were Senior Councillors in 2016/17 but not in 2015/16 there is no remuneration figures shown for 2015/16 (Robert McGill, Derek Stewart, Gary Womersley, Craig Holden, Jim Stalker, George Matchett, Graham Watt, Janet Cadenhead and Kathleen Martin.)
5. 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. Full year reductions agreed have been accounted for in the 2016/17 and 2015/16 figures.

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Remuneration Arrangements

Table 1

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

6. Payments to Senior Councillors are inclusive of additional payments made by the Council in respect of Members serving on Joint Boards. For 2016/17 the amount recharged to the Valuation Joint Board for additional payments was £2,385 (2015/16: £3,138). This amount is recovered from the Joint Board.
7. Councillor Sharp's remuneration includes £228 (2015/16: £1,000) and Councillor Stalker's remuneration for 2016/17 includes £671 for serving on the Association of Public Service Excellence (APSE). This amount is recovered from the organisation.
8. Councillor Sharp received £2,218 and Councillor Watt received £5,248 remuneration from NHS Forth Valley (2015/16: Councillor Sharp £8,008) for serving on the regional Health Board during 2016/17. This is paid directly by the NHS to each individual and are not included above.

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
Total Councillors	18

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Remuneration Arrangements

Table 1

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

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

Table 2

Type of Remuneration

	2016/17	2015/16
	£	£
Salaries	329,808	327,572
Employer's NIC and Pension	74,304	67,328
Expenses	7,714	7,802
Total	411,826	402,702

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 £2,218 paid directly to Councillor Sharp (2015/16: £8,008) and £5,248 paid directly to Councillor Watt in respect of serving on NHS Forth Valley Health Board.

The annual return of Councillors' salaries and expenses for 2016/17 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's web site www.clacksweb.org.uk under 'Remuneration to Elected members'.

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Table 3

Remuneration of Senior Employees of the Council

Name and Post Title	Total Remuneration 2016/17 £	Total Remuneration 2015/16 £
Elaine McPherson – Chief Executive	98,727	97,749
Elaine McPherson - Returning Officer (Scottish Parliamentary Election 5th May 2016 and EU Referendum 23 rd June 2016)	5,375	3,244
Nikki Bridle – Depute Chief Executive	88,945	88,065
Nikki Bridle - Depute Returning Officer (Scottish Parliamentary Election 5th May 2016 and EU Referendum 23 rd June 2016)	1,000	500
Garry Dallas –Executive Director	85,455	84,610
Stuart Crickmar – Head of Strategy & Customer Services	69,736	69,045
Cecilia Gray – Head of Social Services, Clackmannanshire and Stirling Councils (from 3 rd October 2016)	36,367	-
Val De Souza – Head of Social Services, Clackmannanshire and Stirling Councils (until 31 st October 2016)	37,439	79,431
Anne Pearson - Head of Education, Clackmannanshire and Stirling Councils (from 13 th June 2016)	63,863	-
David Leng – Head of Education, Clackmannanshire and Stirling Councils (until 31 st July 2016)	39,512	92,668
Ahsan Khan – Head of Housing and Community Safety	64,062	65,602
Gordon McNeil – Head of Development and Environmental Services	69,736	69,045
Stephen Coulter – Head of Resources and Governance	69,736	69,045
Jim Robb – Assistant Head of Social Services for Clackmannanshire and Stirling Councils (from 25 th April 2016)	65,259	-
Philip Gillespie – Assistant Head of Social Services for Clackmannanshire and Stirling Councils (until 24 th April 2016)	4,532	67,310
Liam Purdie – Assistant Head of Social Services for Clackmannanshire and Stirling Councils (until 22 nd May 2016)	9,686	67,310

**CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17**

Name and Post Title	Total Remuneration 2016/17 £	Total Remuneration 2015/16 £
Shiona Strachan – Stirling and Clackmannanshire Health and Social Care Partnership Chief Officer (from 1 July 2015)	89,686	66,598
Jane Rough – Improving Outcomes Manager (from 22 nd August 2016)	36,914	-
Lorraine Sanda – Improving Outcomes Manager (from 26 th September 2016)	31,087	-
Catherine Quinn – Improving Outcomes Manager (from 12 th September 2016)	33,256	-
Total	1,005,373	920,222

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 1.0% from 1 April 2016 is included in the 2016/17 figures.
3. The Chief Executive remuneration is in line with the second 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% pay award for 2016/17 £101,539. The actual remuneration paid to the Chief Executive of £98,727 includes a voluntary reduction of 2.77%.
4. On a voluntary basis, 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.
5. Payments to the Chief Executive and Depute Chief Executive for acting as Returning Officer and Depute Returning Officer during the Scottish Parliament Election (5th May 2016) and for the EU Referendum (23rd June 2016) were £5,375 for Returning Officer and £1,000 for Depute Returning Officer. For 2015/16 the General Election (7 May 2015) payments were £3,244 and £500 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 arrangement ended during 2016/17.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Remuneration Report

Table 3

Remuneration of Senior Employees of the Council (continued)

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 2016/17 is £18,720 (2015/16: £39,716). She left employment of the authority on 31 October 2016.
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 2016/17 is £19,756 (£2015/16: £46,334). He left employment of Stirling Council on 31 July 2016.
9. Total remuneration is for salaries, fees and allowances. There were no taxable expenses earned by any of the employees in the above table.

General Disclosure by Pay Band

Table 4

Remuneration Band	Number of Employees	
	2016/17	2015/16
£50,000 - £54,999	40	31
£55,000 - £59,999	11	14
£60,000 - £64,999	5	3
£65,000 - £69,999	5	6
£70,000 - £74,999	1	2
£75,000 - £79,999	2	2
£80,000 - £84,999	0	1
£85,000 - £89,999	3	1
£90,000 - £94,999	-	-
£95,000 - £99,999	1	1
	68	61

CLACKMANNANSHIRE COUNCIL
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Remuneration Report

Notes to table 4

1. Annual increments and the 1% pay award has increased the number of employees falling into bands £50,000 - £54,999.
2. £55,000 - £59,999 has reduced due to leavers in the year and full year effect of appointments made during 2015/16.
3. Increase in £85,000-£89,999 due to full year effect of new employee in 15/16 and 1% pay award has increased employee in this band.

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

CLACKMANNANSHIRE COUNCIL
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Remuneration Report

Table 5

Whole time pay 2016/17 (2015/16)	Contribution rate 2016/17*	Contribution rate 2015/16*
On earnings up to and including £21,102 (£21,102)	5.5%	5.5%
On earnings above £21,102 and up to £27,397 (£21,102/£27,397)	Between 5.6% & 6.0%	5.6% & 6.0%
On earnings above £27,398 and up to £34,415 (£27,398/£34,415)	Between 6.1% & 6.5%	6.1% & 6.5%
On earnings above £34,416 and up to £48,544 (£34,416/£48,544)	Between 6.6% & 7.5%	6.6% & 7.5%
On earnings above £48,545 and up to £54,689 (£48,545/£54,689)	Between 7.6% & 8.0%	7.6% & 8.0%
On earnings above £54,690 and up to £73,228 (£54,690/£73,228)	Between 8.1% & 9.0%	8.1% & 9.0%
On earnings above £73,229 and up to £110,782 (£73,229/£110,782)	Between 9.1% & 10.0%	9.1% & 10.0%
On earnings above £110,783 (£110,783)	10.1% & over	10.1% & 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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Remuneration Report

Table 6
Senior Councillors

The pension entitlements for Senior Councillors who have elected to join the pension scheme for the year ended 31 March 2017 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 2017 £	For Year to 31 March 2016 £	As at 31 March 2017 £000		Difference from 31 March 2016 £000
Leslie Sharp Leader of the Council (from 3rd November 2014 to 11th May 2016) & from 9th March 2017 Spokesperson for Health and Social Work (from 9th March 2017) Chair of Scrutiny Committee (from 2nd June 2016 to 8th June 2017) Spokesperson Housing, Health and Care (from 1st June 2012 to 11th May 2016)	4,287	5,692	Pension	6	1
Tina Murphy Provost (from 1 st February 2012 to 11th May 2016) Depute Provost and Spokesperson for Environment & Housing (from 9th March 2017)	3,688	4,269	Pension Lump Sum	4 2	1 0
Kenneth Earle Chair of Regulatory Committee (from 2nd June 2016 to 23 rd February 2017)	3,619	3,952	Pension	3	1

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Remuneration Report

Table 6
Senior Councillors (continued)

Name and Post Title	In-Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31 March 2017 £	For Year to 31 March 2016 £	As at 31 March 2017 £000		Difference from 31 March 2016 £000
Ellen Forson Spokesperson for Education (from 1 st February 2012 to 11 th May 2016 and from 9 th March 2017) and Spokesperson for Attainment and Improvement Sub Committee (from 1 st February 2012 to 11 th May 2016)	3,637	3,842	Pension	2	1
Donald Balsillie Spokesperson for Enterprise and Environment Committee (from 1 st February 2012 to 11 th May 2016)	3,637	3,842	Pension Lump Sum	3 1	0 0
Irene Hamilton Depute Provost (1 st February 2012 to 11 th May 2016)	3,604	3,842	Pension Lump Sum	3 1	0 0
Kathleen Martin Spokesperson for Environment and Housing (from 2 nd June 2016 to 23 rd February 2017)	3,867	3,415	Pension	2	1
George Matchett Spokesperson for Education (from 2 nd June 2016 to 23 rd February 2017)	3,867	3,415	Pension Lump Sum	4 2	1 0
Robert McGill Leader of the Council (from 2 nd June 2016 to 23 rd February 2017)	5,266	3,415	Pension Lump Sum	4 4	0 0

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Remuneration Report

Table 6
Senior Councillors (continued)

Name and Post Title	In-Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31 March 2017 £	For Year to 31 March 2016 £	As at 31 March 2017 £000	Difference from 31 March 2016 £000	
Jim Stalker Depute Provost (from 2 nd June 2016 to 23 rd February 2017)	3,867	3,415	Pension	2	1
Graham Watt Spokesperson for Health & Social Work (from 2 nd June 2016 to 23 rd February 2017) and Chair of Scrutiny Committee (from 9 th March 2017)	3,900	3,415	Pension	2	1
Gary Womersley Provost (from 9 th March 2017)	3,637	3,415	Pension Lump Sum	3 2	0 0
Total	46,876	45,929		50	9

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.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Remuneration Report

Table 7

Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2017 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 2017 £	For Year to 31 March 2016 £	As at 31 March 2017 £000		Difference from 31 March 2016 £000
Elaine McPherson Chief Executive	22,032	21,209	Pension	42	4
			Lump Sum	83	4
Nikki Bridle Depute Chief Executive	19,211	18,494	Pension	32	3
			Lump Sum	56	2
Garry Dallas Executive Director	18,457	17,768	Pension	40	3
			Lump Sum	84	3
Stuart Crickmar Head of Strategy & Customer Services	15,062	14,499	Pension	25	2
			Lump Sum	45	2
Anne Pearson - Head of Education, Clackmannanshire and Stirling Councils (from 13 June 2016)	14,461	-	Pension	1	1
David Leng Joint Head of Education, Clackmannanshire and Stirling Councils (from 30 September 2013 until 31 st July 2016)	7,393	19,460	Pension	22	18
			Lump Sum	32	32
Cecilia Gray – Head of Social Services, Clackmannanshire and Stirling Councils (from 3 October 2016)	7,637	-	Pension	1	1
Val De Souza – Head of Social Services, Clackmannanshire and Stirling Councils (until 31 October 2016)	7,862	16,681	Pension	23	1
			Lump Sum	38	1
Gordon McNeil Head of Development and Environmental Services (from 3 June 2014)	15,062	14,499	Pension	16	14
			Lump Sum	19	19

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Remuneration Report

Table 7
Senior Employees (continued)

	In-Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31 March 2017 £	For Year to 31 March 2016 £	As at 31 March 2017 £000	Difference from 31 March 2016 £000	
Stephen Coulter Head of Resources and Governance (from 24 September 2014)	15,062	14,499	Pension	3	1
Ahsan Kahn Head of Housing and Community Safety (from 8 July 2013)	13,870	14,499	Pension	5	2
Jim Robb – Assistant Head of Social Services for Clackmannanshire and Stirling Councils (from 25 April 2016)	13,704	-	Pension	1	1
Philip Gillespie Assistant Head of Social Services (from May 2014 until 24 April 2016)	952	14,135	Pension	2	0
Liam Purdie Assistant Head of Social Services (from January 2014 until 22 May 2016)	2,034	14,135	Pension Lump Sum	24 48	0 0
Shiona Strachan Stirling and Clackmannanshire Health and Social Care Partnership Chief Officer (from 1 July 2015)	18,834	13,986	Pension Lump Sum	36 70	35 70
Jane Rough – Improving Outcomes Manager (from 22nd August 2016)	7,752	-	Pension Lump Sum	33 73	33 73
Lorraine Sanda – Improving Outcomes Manager (from 26 September 2016)	6,528	-	Pension	1	1
Catherine Quinn – Improving Outcomes Manager (from 12 September 2016)	5,720	-	Pension Lump Sum	16 47	-
Total	203,881	193,864		812	220

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Remuneration Report

Notes to Table 7

1. All Senior Employees shown in the tables above are members of the Local Government Pension Scheme (LGPS) with the exception of Catherine Quinn.
2. Catherine Quinn the Improving Outcomes Manger is a member of the Teachers Pension Scheme.
3. 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
4. Where staff were not in employment with Clackmannanshire Council at 31 March 2017 or are no longer a relevant senior employee at this date, there is no increase in accrued pension benefit attributable.

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 49 employees (2015/16: 46) through voluntary severance during 2016/17, incurring liabilities of £0.944m (2015/16: £0.452m). The figures for 2015/16 include 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. There were no such costs for 2016/17 as all employees who were due to leave by 31 March 17 had left by this date. The number of employees and costs of exit packages per pay band is shown in the table 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 2016/17
Remuneration Report

**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	
	2015/16	2016/17	(£)	(£)
£0 - £20,000	40	33	150,586	300,986
£20,001 - £40,000	2	10	52,681	255,708
£40,001 - £60,000	3	4	141,977	203,563
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	2	-	183,929
£100,001 - £150,000	1	-	106,475	-
Total	46	49	451,719	944,186

Elaine McPherson
Chief Executive
28 September 2017

Councillor Sharp
Leader of the Council
28 September 2017

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Independent Auditor's Report

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

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 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Clackmannanshire Council and its group for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the council-only Expenditure and Funding Analysis, the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, the council-only Cash Flow Statement, Housing Revenue Account Income and Expenditure Statement, the Housing Revenue Account Movement in Reserves Statement, the Council Tax Income Account, the Non Domestic Rates Income Account and notes to the financial statements, including a summary of significant accounting policies. 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 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the deficit on the provision of services of the council and its group 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 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Independent Auditor's Report

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Depute Chief Executive for the financial statements

As explained more fully in the Statement of Responsibilities, the Depute Chief Executive is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Depute Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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 its group 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.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2016/17

Independent Auditor's Report

Other information in the annual accounts

The Depute Chief Executive is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to 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 me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Independent Auditor's Report

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Gordon Smail
Assistant Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN
28 September 2017

CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2016/17 Core Financial Statements

The Financial Statements

The accounting statements that follow and their purpose consist of:

Core Financial Statements

The **Expenditure & Funding Analysis (EFA)** shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.

The **Comprehensive Income and Expenditure Statement (CI&E)** 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 **Movement in Reserves Statement (MIRS)** 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 **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.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Core Financial Statements

Supplementary Financial Statements (continued)

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

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

Group Financial Statements

The Council has an interest in the following bodies and details of these are shown in the group accounts:

- Clackmannanshire and Stirling Integration Joint Board
- Central Scotland Valuation Joint Board;
- Central Scotland Business Parks (CSBP) Clackmannanshire Investments Ltd; and
- Common Good.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Expenditure & Funding Analysis
For the year ended 31st March 2017

2015/16				2016/17		
Net Expenditure Chargeable to GF & HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CI&E Statement		Net Expenditure Chargeable to GF and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CI&E Statement
£000	£000	£000		£000	£000	£000
6,120	581	6,701	Strategy & Customer Services	5,605	321	5,926
18,768	516	19,284	Resources & Governance	19,739	291	20,030
(1,641)	-	(1,641)	Central Support	(1,306)	-	(1,306)
432	-	432	Executive Team	420	-	420
10,457	1,943	12,400	Development & Environment	10,443	1,510	11,953
35,273	4,646	39,919	Education Services	36,687	5,120	41,807
1,664	184	1,848	Housing & Community Safety	1,612	112	1,724
29,363	1,306	30,669	Social Services	29,019	828	29,847
7,369	(6,985)	384	Corporate Services	7,698	(6,460)	1,238
32	(808)	(776)	Housing Revenue Account	(2,742)	922	(1,820)
351	-	351	Valuation Joint Board	321	-	321
<u>108,188</u>	<u>1,383</u>	<u>109,571</u>	Cost of Services	<u>107,496</u>	<u>2,644</u>	<u>110,140</u>
<u>(107,447)</u>	<u>(1,858)</u>	<u>(109,305)</u>	Other Income and Expenditure (Surplus)/Deficit (Note 6)	<u>(104,755)</u>	<u>(3,294)</u>	<u>(108,049)</u>
<u>741</u>	<u>(475)</u>	<u>266</u>		<u>2,741</u>	<u>(650)</u>	<u>2,091</u>
		13,558	Opening GF and HRA Balance	14,745		
		(741)	Less Surplus/ Deficit in the year	(2,741)		
		<u>1,928</u>	Transfer to/from other statutory reserves	<u>142</u>		
		<u>14,745</u>	Closing GF and HRA Balance	<u>12,146</u>		

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Comprehensive Income and Expenditure Statement
For the year ended 31 March 2017

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.

2015/16 Restated				2016/17		
Gross Expenditure	Gross Income	Net Expenditure /(Income)		Gross Expenditure	Gross Income	Net Expenditure /(Income)
£000	£000	£000		£000	£000	£000
7,522	(821)	6,701	Strategy & Customer Services	6,588	(662)	5,926
21,287	(2,003)	19,284	Resources & Governance	22,348	(2,318)	20,030
-	(1,641)	(1,641)	Central Support	-	(1,306)	(1,306)
432	-	432	Executive Team	420	-	420
17,678	(5,278)	12,400	Development & Environment	16,515	(4,562)	11,953
42,837	(2,918)	39,919	Education Services	45,225	(3,418)	41,807
24,515	(22,667)	1,848	Housing & Community Safety	23,832	(22,108)	1,724
43,473	(12,804)	30,669	Social Services*	60,176	(30,329)	29,847
623	(239)	384	Corporate Services	1,729	(491)	1,238
17,056	(17,832)	(776)	Housing Revenue Account	16,742	(18,562)	(1,820)
351	-	351	Valuation Joint Board	321	-	321
175,774	(66,203)	109,571	Cost of Services	193,896	(83,756)	110,140

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Comprehensive Income and Expenditure Statement
For the year ended 31 March 2017

2015/16 Restated				2016/17		
Gross Expenditure	Gross Income	Net Expenditure /(Income)		Gross Expenditure	Gross Income	Net Expenditure /(Income)
£000	£000	£000		£000	£000	£000
1,554	-	1,554	Other Operating Expenditure (Note 9)	-	(173)	(173)
13,803	(691)	13,112	Financing and Investment Income and Expenditure (Note 10)	12,931	(898)	12,033
-	(123,971)	<u>(123,971)</u>	Taxation and Non-Specific grant Income (Note 11)	-	(119,909)	<u>(119,909)</u>
		266	(Surplus) or Deficit on Provision of Services			2,091
		(2,434)	(Surplus) or Deficit on revaluation of non-current assets (Note 26)			(835)
		47	Impairment losses on non-current assets charged to the revaluation reserve (Note 26)			48
		<u>(34,500)</u>	Actuarial (gains)/losses on pension assets/liabilities (Note 26)			<u>49,987</u>
		<u>(36,887)</u>	Other Comprehensive Income and Expenditure			<u>49,200</u>
		<u>(36,621)</u>	Total Comprehensive Income and Expenditure			<u>51,291</u>

*The gross income and gross expenditure shown above for Social Services includes £16.518m for services commissioned under the Clackmannanshire and Stirling Integration Joint Board.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Movement in Reserves Statement
For the year ended 31st March 2017

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 Reserve and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Reserve £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2015	11,609	1,949	2,946	1,293	160	17,957	61,809	79,766
Movement in Reserves during 2015/16								
Total Comprehensive Income and Expenditure	122	(388)	-	-	-	(266)	36,887	36,621
Adjustments between accounting basis & funding basis under regulations (Note 7)	376	(851)	1,092	-	169	786	(786)	-
Net Increase or (Decrease) before Transfers to Earmarked Reserves	498	(1,239)	1,092	-	169	520	36,101	36,621
Transfers to/from Earmarked Reserves (Note 8)	1,928	-	(1,890)	(38)	--	-	-	-
Increase or (decrease) in 2015/16	2,426	(1,239)	(798)	(38)	169	520	36,101	36,621
Balance at 31 March 2016 carried forward	14,035	710	2,148	1,255	329	18,477	97,910	116,387

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Movement in Reserves Statement
For the year ended 31st March 2017

	General Fund Reserve £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2016	14,035	710	2,148	1,255	329	18,477	97,910	116,387
Prior Period Adjustment	(48)	-	-	-	-	(48)	48	-
Restated Balance at 31 March 2016	13,987	710	2,148	1,255	329	18,429	97,958	116,387
Movement in Reserves during 2016/17								
Total Comprehensive Income and Expenditure	(2,841)	750	-	-	-	(2,091)	(49,200)	(51,291)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(1,162)	513	115	-	293	(241)	241	-
Net Increase or (Decrease) before Transfers to Earmarked Reserves	(4,003)	1,263	115	-	293	(2,332)	(48,959)	(51,291)
Transfers to/from Earmarked Reserves (Note 8)	142	-	(148)	6	-	-	-	-
Increase or (decrease) in 2016/17	(3,861)	1,263	(33)	6	293	(2,332)	(48,959)	(51,291)
Balance at 31 March 2017 carried forward	10,126	1,973	2,115	1,261	622	16,097	48,999	65,096

The balance at 31st March 2016 has been restated to reflect an adjustment for income received in 2015/16 treated as income recorded against the general fund that should have been treated as a capital contribution.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Balance Sheet as at 31st March 2017

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 2016		Note	31 March 2017
£000			£000
353,561	Property, Plant & Equipment	12	352,590
835	Heritage Assets	13	835
5,308	Investment Properties	14	5,125
770	Intangible Assets	15	1,006
7,883	Long-Term Investments	16	7,883
<u>2</u>	Long-Term Debtors		<u>2</u>
368,359	Non-Current Assets		367,441
288	Investment Properties held for Sale	17	938
849	Assets held for Sale	17	1,220
513	Inventories	18	459
14,794	Short-Term Debtors	19	11,970
3,015	Short-Term Investments	20	10,015
<u>3,665</u>	Cash and Cash Equivalents	20	<u>9,814</u>
23,124	Current Assets		34,416

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Balance Sheet as at 31st March 2017

31 March 2016		Note	31 March 2017
£000			£000
(8,886)	Short-Term Borrowing	23	(5,284)
(17,859)	Short-Term Creditors	21	(25,117)
<u>(429)</u>	Provisions	22	<u>(295)</u>
(27,174)	Current Liabilities		(30,695)
(177)	Provisions	22	(23)
(96,451)	Long-Term Borrowing	23	(100,744)
<u>(151,294)</u>	Other Long-Term Liabilities	24	<u>(205,298)</u>
(247,922)	Long-Term Liabilities		(306,065)
<u>116,387</u>	Net Assets		<u>65,096</u>
18,477	Usable Reserves		16,097
<u>97,910</u>	Unusable Reserves	26	<u>48,999</u>
116,387	Total Reserves		65,096

The unaudited financial statements were issued on 28 June 2017 and the audited financial statements were authorised for issue on 28 September 2017.

Nikki Bridle
Depute Chief Executive
28 September 2017

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Cash Flow Statement
For the year ended 31 March 2017

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.

2015/16		2016/17
£000		£000
(266)	Net (deficit) on the provision of services	(2,091)
22,229	Adjustments to net deficit on the provision of services for non-cash movements	30,626
<u>(12,156)</u>	Adjustments for items included in the net deficit of the provision of services that are investing and financing activities	<u>(8,526)</u>
9,807	Net cash flows from Operating Activities (Note 27)	20,009
(8,300)	Investing Activities (Note 28)	(13,270)
<u>(18,071)</u>	Financing Activities (Note 29)	<u>(590)</u>
(16,564)	Net increase (decrease) in cash and cash equivalents	6,149
20,229	Cash and Cash equivalents at the beginning of the reporting year (Note 20)	3,665
<hr/> 3,665 <hr/>	Cash and Cash equivalents at the end of the reporting year (Note 20)	<hr/> 9,814 <hr/>

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

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

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Notes to the Financial Statements

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CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

Note 1 - Accounting Policies

a) General Principles

The Annual Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 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;

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

Note 1 - Accounting Policies (continued)
Accruals of Income and Expenditure (continued)

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

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

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

e) Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

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

f) Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

f) Employee Benefits (continued)

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
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
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

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
ANNUAL ACCOUNTS 2016/17
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 2016/17
Notes to the Financial Statements

Note 1 - Accounting Policies (continued)
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
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

Note 1 - Accounting Policies (continued)

Government Grants and Contributions (continued)

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Business Improvement Districts

Two Business Improvement District (BID) schemes apply in Alloa Town Centre and Business Parks respectively within the Council. The schemes are funded by a BID levy paid by non-domestic ratepayers. The Council operates as an agent on behalf of the BID bodies and as a consequence the income and expenditure is not shown in the Comprehensive Income and Expenditure Statement.

j) Heritage Assets

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

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

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Notes to the Financial Statements

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).

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Note 1 - Accounting Policies (continued)

k) Intangible Assets (continued)

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at cost less amortisation and any provision for impairment. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

l) Interests in Companies and Other Entities

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

m) Inventories

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

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Note 1 - Accounting Policies (continued)

n) Investment Properties

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

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

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

o) Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

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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
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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 2016/17
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) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

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

Measurement

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.

CLACKMANNANSHIRE COUNCIL
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Note 1 - Accounting Policies (continued)

p) Property, Plant and Equipment (continued)

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.

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.

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Note 1 - Accounting Policies (continued)

p) Property, Plant and Equipment (continued)

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

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

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

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

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.

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Note 1 - Accounting Policies (continued)

p) Property, Plant and Equipment (continued)

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

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

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

Depreciation

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

Depreciation (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.

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Note 1 - Accounting Policies (continued)

p) Property, Plant and Equipment (continued)

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

Componentisation

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

Significant components are deemed to be those whose cost is 25% or more of the total cost of the individual asset. In accordance with the Council's approved policy, an individual asset is considered to be material if its carrying value is 5% or more of the cumulative carrying value (net book value) of the non-land element of PPE and Investment Properties. Any individual asset below this de-minimis will be disregarded for component accounting on the basis that any adjustment to depreciation charges would not be material.

Disposals

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

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

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Note 1 - Accounting Policies (continued)

p) Property, Plant and Equipment (continued)

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

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

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

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

q) 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.

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Note 1 - Accounting Policies (continued)

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

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.

CLACKMANNANSHIRE COUNCIL
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Note 1 - Accounting Policies (continued)

r) 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)

r) 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.

s) 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.

t) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory 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.

u) 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 Amendment became effective in 2016/17 for the first time:

- IAS 1 Presentation of Financial Statements (amendments) – issued December 2014.

The amendments to IAS 1 included changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and introduction of the new Expenditure and Funding Analysis and related notes. The new Expenditure and Funding Analysis statement and related notes provide a comparison between the net expenditure chargeable to revenue funding and the surplus or deficit on the provision of services shown in the Comprehensive Income and Expenditure Statement.

The 2015/16 comparator information for the new Expenditure and Funding Analysis Statement and related notes has been provided. This information has also been restated to reflect the new format of the Comprehensive Income and Expenditure Statement and Movement on Reserves Statement. There were no changes to the Balance Sheet or Cashflow statement as a result of this amendment.

Other new standards, amendments and interpretations that became effective in 2016/17 for the first time were:

- Updated concepts section for the understandability and users of LA financial statements;
- Amendment to related parties definition in relation to key management personnel;
- Adaptation for treatment of accumulated depreciation and impairment for PPE;
- IFRS11 Joint Arrangements – accounting for acquisitions of interests in Joint Operations; and
- Interpretation of IAS 27 Separate Financial Statements where option to equity account for investments in subsidiaries in LA Single entity financial statements is removed.

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 2017/18 or future Codes to which this applies are listed below:

- IAS 7 Disclosure Initiative – amendments to IAS 7, effective date 1 January 2017;

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Note 2 - Changes to Accounting Standards (continued)

- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – amendments to IAS 12, effective date 1 January 2017;
- IFRS 9 – Financial Instruments, effective date 1 January 2018;
- IFRS 15 – Revenue from Contracts with Customers, effective date 1 January 2018;
- IFRS 2 Classification and measurement of share-based payment transactions – amendments to IFRS 2, effective date 1 January 2018;
- IFRS 4 Insurance Contracts - Applying IFRS 9 Financial Instruments amendments to IFRS 4, effective date 1 January 2018; and
- IFRS 16 – Leases, effective date 1 January 2019.

The above changes require implementation from 1 January 2017 or later and therefore there is no impact on the information provided in the 2016/17 financial statements.

Note 3 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statements are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision: and
- The Council is deemed to control the services provided under the PFI agreement for the provision of Secondary School establishments. The accounting policies for PFI schemes have been applied and the assets under the PFI contract are included within Property, Plant and Equipment on the Council's Balance Sheet.

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

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 2017 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)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 £255k and £701k respectively for every year that useful lives had to be reduced.</p>
Provisions	<p>The Council has a provision of £0.092m for the settlement of claims for back pay arising from the Equal Pay initiative. This is based on settling the number of existing claims outstanding at their calculated values, and 2nd and 3rd wave claims which have been lodged at estimated average settlement values.</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 2017 the Council had Council Tax debt outstanding of £10.531m. A review of outstanding balances suggested that an allowance for doubtful debts of £7.927m was appropriate resulting in a coverage of 75% 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 2017 the Council had a balance of sundry debtors of £3.117m. A review of outstanding balances suggested that an allowance for doubtful debts of £1.113m was appropriate to cover those debts over one year old. However, in a fluctuating 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 £156k 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 11% equating to £50.598m.
Housing Rent Arrears	At 31 March 2017 the Council had Housing Rent Arrears of £1.540m. A review of outstanding balances suggested that an impairment for irrecoverable rents of £1.234m 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 £41k to £1.275m increasing the % coverage for doubtful debts to 83%.

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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 28 September 2017. Where events taking place before this date provided information about conditions existing at 31 March 2017, 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 - Expenditure and Funding Analysis

The Expenditure and Funding Analysis brings together the net expenditure based on the management reporting structure and compares this against the net expenditure that is reported in the Comprehensive Income and Expenditure Statement in line with the Accounting Framework. The figures below provide detail of the statutory adjustments.

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Note 6 - Expenditure and Funding Analysis (continued)

2015/16 Restated				2016/17				
Adjustments for Capital Purposes	Adjustments for Pensions Adjustments	Financial Instruments Adjustments	Total Adjustments		Adjustments for Capital Purposes	Adjustments for Pensions Adjustments	Financial Instruments Adjustments	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
146	435	-	581	Strategy & Customer Services	134	187	-	321
(80)	596	-	516	Resources & Governance	12	279	-	291
1,129	814	-	1,943	Development & Environment	1,247	263	-	1,510
3,986	660	-	4,646	Education Services	4,162	958	-	5,120
-	184	-	184	Housing & Community Safety	43	69	-	112
236	1,070	-	1,306	Social Services	260	568	-	828
(5,979)	(1,216)	210	(6,985)	Corporate Services	(5,819)	(851)	210	(6,460)
(1,325)	517	-	(808)	Housing Revenue Account	642	280	-	922
-	-	-	-	- Valuation Joint Board	-	-	-	-
(1,887)	3,060	210	1,383	Cost of Services	681	1,753	210	2,644
(6,239)	4,381	-	(1,858)	Other Income and & Expenditure and Funding Analysis	(7,103)	3,809	-	(3,294)
(8126)	7,441	210	(475)	Difference between General Fund surplus/ deficit and the CI&E surplus/deficit	(6,422)	5,562	210	650

Note 7 – 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.

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Note 7 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

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

General Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Insurance Fund

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

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Note 7 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)
2016/17

	Usable Reserves					Movement
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Insurance Fund £000	in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non-current assets	(6,919)	(7,087)	-	-	-	14,006
Movements in the fair value of investment assets	168	-	-	-	-	(168)
Amortisation of intangible assets	(251)	-	-	-	-	251
Capital grants and contributions applied	6,255	647	-	-	-	(6,902)
Revenue Expenditure Funded from Capital under Statute	(171)	-	-	-	-	171
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(364)	(2,796)	-	-	-	3,160
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Statutory provision for the financing of capital investment	6,717	1,569	-	-	-	(8,286)
Capital expenditure charged against the General Fund and HRA balances	-	4,912	-	-	-	(4,912)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital Grants and contribution unapplied credited to the CIES	293	-	-	(293)	-	-
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the CIES	115	2,925	(3,040)	-	-	-

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Note 7 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2016/17 (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	-	-	2,925	-	-	(2,925)
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	210	-	-	-	-	(210)
Adjustments involving the Pension Reserve						
Reversal of items relating to post employment benefits debited or credited to the Provision of Services in the CIES (see Note 38)	(13,120)	(1,428)	-	-	-	14,548
Employer's pensions contributions and direct payments to pensioners payable in the year	8,702	764	-	-	-	(9,466)
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charges to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(473)	(19)	-	-	-	492
Total Adjustments	1,162	(513)	(115)	(293)	-	(241)

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Notes to the Financial Statements

Note 7 – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2015/16

	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
Adjustments primarily involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non-current assets	(6,555)	(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
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Statutory provision for the financing of capital investment	6,855	1,483	-	-	-	(8,338)
Capital expenditure charged against the General Fund and HRA balances	21	6,553	-	-	-	(6,574)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital Grants and contribution unapplied credited to the CIES	169	-	-	(169)	-	-
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the CIES	1,092	1,607	(2,699)	-	-	-

CLACKMANNANSHIRE COUNCIL
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Notes to the Financial Statements

Note 7 – 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)
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	210	-	-	-	-	(210)
Adjustments involving the Pension Reserve						
Reversal of items relating to post employment benefits debited or credited to the Provision of Services in the CIES (see Note 38)	(16,211)	(632)	-	-	-	16,843
Employer's pensions contributions and direct payments to pensioners payable in the year	10,155	(616)	-	-	-	(9,539)
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	143	(33)	-	-	-	(110)
Total Adjustments	(376)	851	(1,092)	(169)	-	786

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Note 8 – 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 2016/17.

	General Fund £000	Capital Receipts Reserve £000	Insurance Fund £000
Net Transfer to Insurance Fund from General Fund	(6)	-	6
Transfer from Capital Receipts to Fund Voluntary Severance	148	(148)	-
Total	<u>142</u>	<u>(148)</u>	<u>6</u>
2015/16			
	General Fund £000	Capital Receipts Reserve £000	Insurance Fund £000
Net Transfer from Insurance Fund to General Fund	38	-	(38)
Transfer from Capital Receipts to Fund PPP	1,890	(1,890)	-
Total	<u>1,928</u>	<u>(1,890)</u>	<u>(38)</u>

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Note 9 – Other Operating Expenditure

This note provides detail regarding the Other Operating Expenditure line within the Comprehensive Income and Expenditure Statement on page 84.

	2015/16 £000	2016/17 £000
(Gains)/ Losses on the disposal of non-current assets	1,554	(173)
	—	—
Total	1,554	(173)
	—	—

Note 10 – 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 84.

	Restated 2015/16 £000	2016/17 £000
Interest payable and similar charges	9,244	9,122
Net Interest on the Net Defined Benefit Liability	4,381	3,809
Interest receivable and similar income	(472)	(524)
Changes in the carrying value of LOBO's/Market loans	(6)	(6)
Revaluation of Investment Property – Note 14 and Note 6	178	(168)
Rental Income from Investments	(213)	(200)
	—	—
Total	13,112	12,033
	—	—

2015/16 has been restated to include expenses for Financing and Investment Income

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Note 11 – Taxation and Non-Specific Grant Income

This note provides detail regarding the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement on Page 84

	Restated 2015/16 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax	18,658	18,895
Grant allocation for Council Tax Reduction Scheme	3,520	3,520
Non-Domestic Rate Income distributed by pool	15,853	16,269
Non-ring fenced government grants	78,275	74,494
Capital grants and contributions	<u>7,665</u>	<u>6,731</u>
Total	<u>123,971</u>	<u>119,909</u>

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 2016/17.

	Restated 2015/16 £000	2016/17 £000
Credited to Services		
DWP grant for Benefits	18,840	18,701
Criminal Justice	1,417	1,435
Other revenue grants (including EMA and Home Insulation Scheme)	3,055	4,031
Other Capital Grants & Contributions	<u>133</u>	<u>171</u>
Total	<u>23,445</u>	<u>24,338</u>

2015/16 Capital Grants & Contributions totalling £1.736m have been transferred from credited to services to credited to Taxation and Non Specific Grant Income

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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. No material impairment losses have occurred during 2016/17 or since the previous valuation.

Movements on Balances
Movements in 2016/17

	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
Cost or Valuation								
At 1 April 2016	135,798	186,210	19,143	48,755	4,242	17	394,165	94,621
Additions	7,862	1,738	1,250	4,683	533	-	16,066	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	65	(37)	-	-	-	50	78	-
Revaluation increases/(decreases) recognised in the Surplus/ Deficit on the Provision of Service	-	-	-	-	-	4	4	-
Derecognition – Disposals	(3,347)	(206)	(742)	-	-	-	(4,295)	-
Assets reclassified (to)/from Inv. Ass	-	(91)	-	-	-	-	(91)	-
Other Movements in Cost or Valuation*	-	(381)	-	-	-	-	(381)	-
At 31 March 2017	140,378	187,233	19,651	53,438	4,775	71	405,546	94,621

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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
Accumulated Depreciation and Impairment								
At 1 April 2016	12,348	7,708	13,573	6,975	-	-	40,604	3,897
Depreciation charge	6,863	5,041	1,277	825	-	-	14,006	1,949
Depreciation written out on revaluations Recognised in the Revaluation Reserve	-	(364)	-	-	-	-	(364)	-
Derecognition – Disposals	(551)	-	(719)	-	-	-	(1,270)	-
Other movements in depreciation and impairment*	-	(20)	-	-	-	-	(20)	-
At 31 March 2017	18,660	12,365	14,131	7,800	-	-	52,956	5,846
Net Book Value:								
At 31 March 2017	121,718	174,868	5,520	45,638	4,775	71	352,590	90,724
At 31 March 2016	123,450	178,502	5,570	41,780	4,242	17	353,561	88,776

*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

	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
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 recognised in the Revaluation Reserve	87	742	-	-	-	-	829	-
Revaluation decrease recognised in the Surplus/deficit on the Provision of Services	-	(27)	-	-	-	-	(27)	-
Derecognition – Disposals	(2,141)	-	(371)	-	-	(175)	(2,687)	-
Other Movements in Cost or Valuation*	-	(1,569)	-	-	-	-	(1,569)	-
At 31 March 2016	135,798	186,210	19,143	48,755	4,242	17	394,165	94,621

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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
Accumulated Depreciation and Impairment								
At 1 April 2015	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)	-
At 31 March 2016	12,348	7,708	13,573	6,975	-	-	40,604	90,724
Net Book Value:								
At 31 March 2016	123,450	178,502	5,570	41,780	4,242	17	353,561	90,724

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Note 12 – Property, Plant and Equipment (continued)

Capital Commitments

At 31 March 2017 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £9.45m. Similar commitments at 31 March 2016 were £3.72m. The major commitments are as follows:

HRA Council Housing Roof & Render	£3.50m
HRA Council Housing Central Heating	£1.60m
HRA Council Housing Window Replacement	£1.10m
Clackmannan Regeneration Project	£1.57m

Note 13 – Heritage Assets

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

	Art Collection £000	Public Art - Statues Glass & Mosaics £000	Industrial Equipment & Other items £000	Total Assets £000
Cost or Valuation				
1 April 2015	115	500	220	835
31 March 2016	115	500	220	835
Cost or Valuation				
1 April 2016	<u>115</u>	<u>500</u>	<u>220</u>	<u>835</u>
31 March 2017	115	500	220	835

There were no adjustments during 2016/17 or 2015/16.

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Note 13 – Heritage Assets (continued)

Art Collection

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

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

Public Art – Statues

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

Public Art – Glassworks and Mosaics

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

Industrial Equipment and Ephemera

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

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Notes to the Financial Statements

Note 13 – Heritage Assets (continued)

Industrial Equipment and Ephemera (continued)

Items/collections within this category for which a valuation has previously 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.

	31 March 2016	31 March 2017
	£000	£000
Rental Income from Investment	213	200
Direct operating expenses arising from investment property	(1)	-
Net Gain	212	200
	—	—

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:

	31 March 2016	31 March 2017
	£000	£000
Balance at 1 April	5,481	5,308
Additions	36	8
Net gains/ (losses) from fair value adjustments	(178)	368
Transfers:		
- (to)/from Property Plant and Equipment (Note 12)	(31)	91
- (to)/from Assets Held for Sale (Note 17)	-	(650)
Balance at 31 March	<u>5,308</u>	<u>5,125</u>

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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 £251k charged to revenue in 2016/17 was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services in the Resources and Governance line shown in both the Expenditure and Funding analysis and Comprehensive Income and Expenditure Statements.

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

	31 March 2016	31 March 2017
	£000	£000
Balance at start of year:		
Gross carrying amounts	2,029	2,420
Accumulated amortisation	(1,464)	(1,650)
Net carrying amount at start of year	565	770

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Notes to the Financial Statements

Note 15 – Intangible Assets (continued)

	31 March 2016	31 March 2017
	£000	£000
Additions	391	487
Disposals Gross Cost	-	(961)
Disposal accumulated amortisation	-	961
Amortisation for the year	(186)	(251)
Net carrying amount at end of year	<u>770</u>	<u>1,006</u>
 Comprising:		
Gross carrying amounts	2,420	3,868
Accumulated amortisation	(1,650)	(2,862)
	<u>770</u>	<u>1,006</u>

Note 16 – Long Term Investments

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

	31 March 2016	31 March 2017
	£000	£000
CSBP Clackmannanshire Investments Ltd (at cost)	1	1
Clackmannanshire Regeneration LLP	4,906	4,906
Coalsnaughton NHT 2012 LLP	2,976	2,976
	<u>7,883</u>	<u>7,883</u>

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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.

	31 March 2016	31 March 2017
	£000	£000
Balance outstanding at start of year	1,499	849
Revaluation Gains	-	130
Assets reclassified (to)/from Other Land & Buildings (Note 12)	1,588	371
Assets Sold	(2,238)	(130)
Balance outstanding at year-end	849	1,220
Investment Properties Held for Sale	31 March 2016	31 March 2017
	£000	£000
Balance outstanding at start of year	288	288
Assets newly classified as held for Sale Investment Properties (Note 14)	-	650
Balance outstanding at year-end	288	938

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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.

	Building Works		Catering		Vehicle Maint		Other		Total	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Balance at start of year	238	226	50	44	45	44	187	199	520	513
Purchases	585	654	721	721	459	427	481	409	2,246	2,211
Recognised as an expense In the year	(597)	(679)	(727)	(721)	(460)	(419)	(469)	(446)	(2,253)	(2,265)
Balance at year-end	226	201	44	44	44	52	199	162	513	459

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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 88. A Short-Term Debtor represents money that is owed to the Council which is expected to be received in less than a year.

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

	31 March 2016	31 March 2017
	£000	£000
Central government bodies	4,395	3,029
Other local authorities	2,047	1,149
NHS bodies	985	926
Public corporations and trading funds	7	7
Other entities and individuals	<u>7,360</u>	<u>6,859</u>
Total	<u>14,794</u>	<u>11,970</u>

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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 88.

	31 March 2016	31 March 2017
	£000	£000
Short-Term Investments		
CSBP Clackmannanshire Developments Ltd (at cost)	98	15
Movement in impairment	(83)	-
	<hr/>	<hr/>
CSBP Clackmannanshire Developments Ltd (carrying value)	15	15
175 day notice cash deposit with banks	3,000	10,000
	<hr/>	<hr/>
Total Short-Term Investments	3,015	10,015
	<hr/>	<hr/>
Cash and Cash Equivalents		
Cash held by the Council	25	23
Bank current accounts	3,640	9,791
	<hr/>	<hr/>
Total Cash and Cash Equivalents	3,665	9,814
	<hr/>	<hr/>
TOTAL	6,680	19,829
	<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.

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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 89. A Short-Term Creditor represents money that is owed by the Council and which is expected to be paid in less than a year.

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

	31 March 2016	31 March 2017
	£000	£000
Central government bodies	2,387	3,492
Other local authorities	1,988	1,358
NHS bodies	502	148
Public corporations and trading funds	228	292
Other entities and individuals	12,754	19,827
Total	17,859	25,117

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Note 22 – Provisions

Legal Costs PPP

A new provision of £50k has been made in 2016/17 to cover the Council's estimated legal costs associated with ongoing dispute with the Council's provider of PPP. This matter is expected to be concluded within the financial year 2017/18 and the provision fully utilised by 31st March 2017.

Equal Pay

The provision brought forward from 2015/16 to settle equal pay claims has been reclassified from long term provision to short term provisions in expectation of these claims being concluded by 31st March 2018. Payments of £30k have been made in the year and the provision reduced by £2k to reflect the estimate for the remaining claims. The remaining balance of £92k has been transferred to short term provisions and it is anticipated that this will be sufficient to complete the settlement of the remaining claims and statutory on-costs.

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 £43k provision brought forward from 2015/16, £29k was utilised in the year with the remainder being released back to reserves. There are no further voluntary severance cases that had been agreed at 31st March 2017 where the employee had not left by this date.

Damages Claim

Claims were made against the Council by the Contractor in relation to the award of a contract. During 2016/17 the Council made payments totalling £822k fully utilising the provision of £300k carried forward from 2015/16. An additional provision of £150k has now been established to meet the final costs likely to be required to conclude this action.

Legal Cases

The Council made a provision for £78k in 2015/16 to cover the estimated costs associated with a number of legal cases. Payments of £26k were made against the provision and the remaining balance was released back to reserves as these cases were fully concluded. Due to the sensitive nature of the cases further details can not be disclosed.

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Note 22 – Provisions (continued)

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. Payments amounting to £134k have been received and paid through the existing provision which includes an increase of the levy upto 25%. The remaining provision of £26k has been split with a short term provision of £3k to meet a claim that is expected to be settled within the 2017/18 financial year and the remaining £23k as a long term provision to meet further claims.

2016/17	Opening Balance At 1 April 2016 £000	Additional provision made in 2016/17 £000	Reduction in Provision £000	Amounts used in 2016/17 £000	Balance at 31 March 2017 £00)
Current Provisions					
Insurance	(8)	-	-	5	(3)
Damages Claim	(300)	(672)	-	822	(150)
Legal Cases	(78)	-	52	26	-
Voluntary Severance	(43)	-	14	29	-
Equal Pay	-	(92)	-	-	(92)
Legal Cases PPP	-	(50)	-	-	(50)
Total Short Term Provisions	(429)	(814)	66	882	(295)
Long Term Provisions					
Equal Pay	(124)	-	94	30	-
Insurance	(53)	(12)	-	42	(23)
Total Long Term Provisions	(177)	(12)	94	72	(23)
Total	(606)	(826)	160	954	(318)

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Note 22 – Provisions (continued)

2015/16	Opening Balance At 1 April 2015 £000	Additional provision made in 2015/16 £000	Reduction in Provision £000	Amounts used in 2015/16 £000	Balance at 31 March 2016 £000
Short Term Provisions					
Insurance	(-)	(8)	-	-	(8)
Damages Claim	(61)	(263)	-	24	(300)
Legal Cases	(78)	(78)	-	78	(78)
Voluntary Severance	<u>(787)</u>	-	<u>19</u>	<u>725</u>	<u>(43)</u>
Total Current Provisions	<u>(926)</u>	<u>(349)</u>	<u>19</u>	<u>827</u>	<u>(429)</u>
Long Term Provisions					
Equal Pay	(181)	-	25	32	(124)
Insurance	(74)	-	8	13	(53)
Total Long Term Provisions	<u>(255)</u>	<u>-</u>	<u>33</u>	<u>45</u>	<u>(177)</u>
Total Provisions	<u>(1,181)</u>	<u>(349)</u>	<u>52</u>	<u>872</u>	<u>(606)</u>

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Note 23 – Borrowings

This note provides details of the short and long term borrowings undertaken by the Council and shown on the Balance Sheet on page 89. These values are reflected at amortised cost

Total Outstanding at:	31 March 2016	31 March 2017
	£000	£000
Source of Loan		
Repayable within 12 months		
Public Works Loan Board	6,200	-
Other Short Term Borrowings	-	3,000
Revenue Advances:		
-Common Good & Trust Funds	371	367
-Central Scotland Valuation Joint Board	1,012	647
Accrued Interest on Borrowing	<u>1,303</u>	<u>1,270</u>
	8,886	5,284
	—————	—————
Repayable after 12 months		
Public Works Loan Board	72,445	76,444
Lender Option, Borrowing Option (LOBO) Loans	24,006	5,000
Market Loans	-	<u>19 300</u>
	96,451	100,744
	—————	—————

During 2016/17 £18.5m of the Councils variable rate LOBO loans were transferred to fixed rate market loans by the lender. This resulted in a transfer of the principal £18.5m and the effective interest rate adjustment of £0.5m transferring from LOBO Loans to Market Loans.

An analysis of Long-Term Loans by Maturity is shown in Note 40.

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Note 24 – Other Long Term Liabilities

	31 March 2016	31 March 2017
	£000	£000
PFI & Finance Liabilities (see note (a) below)	42,404	41,342
Pension Liabilities (see note 38)	108,274	163,343
Other Long-Term Liabilities (see note (b) below)	616	613
	151,294	205,298

(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 36, page 173 in the Accounts provides more detail in respect of future payments that are due under the terms of the contract. The movements in the balance sheet values are detailed below:

	PFI	Street Lighting	Total	PFI	Street Lighting	Total
	2015/16	2015/16	2015/16	2016/17	2016/17	2016/17
	£000	£000	£000	£000	£000	£000
Balance at 1 April	44,568	437	45,005	43,338	377	43,715
Finance Lease creditor – repayment in one year	(1,230)	(60)	(1,290)	(1,246)	(65)	(1,311)
Balance at 31 March	43,338	377	43,715	42,092	312	42,404
Ageing:						
Liabilities due over more than one year	42,092	312	42,404	41,100	242	41,342
Liabilities due within one year	1,246	65	1,311	992	70	1,062

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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.

	31 March 2016	31 March 2017
	£000	£000
Developer Contributions	17	11
Reinstatement Bond	599	602
	<u>616</u>	<u>613</u>
	—	—

Note 25 – Financial Instruments

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

Categories of Financial Instruments

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

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

	Long-Term		Current	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£000	£000	£000	£000
Financial Liabilities				
Financial liabilities at amortised cost*	97,067	101,357	8,938	4,628
PFI & Finance leases facilities	42,404	41,342	1,311	1,062
Trade Creditors	-	-	4,500	8,123
Total Financial Liabilities	139,471	142,699	14,749	13,813

	Long-Term		Current	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£000	£000	£000	£000
Financial Assets				
Loans & Receivables	7,883	7,883	6,680	19,829
Trade Debtors	-	-	3,358	3,117
Total Financial Assets	7,883	7,883	10,038	22,946

Notes to the above table:

*£5m of the Council's Loans are held in the form of a LOBO loan from the money markets and £18.5m are market loans. These loans have maturity dates ranging between 2042 and 2078.

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Note 25 – Financial Instruments (continued)

Notes to the above table (continued)

For the £5m LOBO loan the Council and its advisers take into account the likelihood of the loan being called, in determining where it sits in the maturity structure above. A maturity structure showing the loan as being called would represent a substantial refinancing risk. However, lenders have not exercised this option to date and the likelihood of the loan being called is currently assessed as very low. This is due to the difference between rates of interest that the loan runs at currently, compared to the market rates available.

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

	2015/16			2016/17		
	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	(5,610)	-	(5,610)	(5,563)	-	(5,563)
Interest on PFI and finance lease liabilities	(3,490)	-	(3,490)	(3,490)	-	(3,490)
Impairment on financial assets	-	(83)	(83)	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	(9,100)	(83)	(9,183)	(9,053)	-	(9,053)
Interest income	-	367	367	-	398	398
Total income in Surplus or Deficit on the Provision of Services	-	367	367	-	398	398
Net gain/(loss) for the year	(9,100)	284	(8,816)	(9,053)	398	(8,655)

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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:-

	31 March 2016		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB – Maturity	79,871	120,857	77,638	128,856
PWLB – Annuity	37	60	35	59
LOBO's	24,047	31,169	5,041	7,940
Market Loans	-	-	19,300	28,492
Other Loans	-	-	3,000	3,016
Total Debt/Financial Liabilities	103,955	152,086	105,014	168,363

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 £128.9m 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 £77.6m would be valued at £152.0m. 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 £74.4m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £152m, comprising the principal of £76.4m, accrued interest of £1.2m and a premium of £74.4m.

Note 26 – Unusable Reserves

	31 March 2016	31 March 2017
	£000	£000
Revaluation Reserve	88,806	87,420
Capital Adjustment Account	122,442	130,268
Financial Instruments Investment Account	(2,957)	(2,747)
Pensions Reserve	(108,274)	(163,343)
Accumulating Compensated Absences Adjustment Account	<u>(2,107)</u>	<u>(2,599)</u>
Total Unusable Reserves	97,910	48,999

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)

	31 March 2016	31 March 2017
	£000	£000
Balance at 1 April	88,818	88,806
Upward revaluation of non-current assets	2,434	835
Downward revaluation of non-current assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	<u>(47)</u>	<u>(48)</u>
Surplus/deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	2,387	787
Difference between fair value depreciation and historical cost depreciation	(1,318)	(341)
Accumulated (losses) on assets sold or scrapped	<u>(1,081)</u>	<u>(1,832)</u>
Amount written off to the Capital Adjustment Account	(2,399)	(2,173)
Balance 31 March	88,806	87,420

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.

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Note 26 – Unusable Reserves (continued)

Capital Adjustment Account (continued)

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

	31 March 2016	31 March 2017
	£000	£000
Balance at 1 April	113,845	122,442
<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	(13,360)	(14,006)
• Amortisation of intangible assets	(186)	(251)
• Revenue expenditure funded from capital under statute	(133)	(171)
• 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	(4,253)	(3,161)
• Amounts written out of the Revaluation Reserve on assets sold or scrapped	<u>1,081</u>	<u>1,477</u>
	(16,851)	(16,112)
<u>Capital financing applied in the year:</u>		
• Use of the Capital Receipts Reserve to finance new capital expenditure	1,607	2,925
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	7,789	6,902
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	8,338	8,286
• Capital expenditure charged against the General Fund and HRA balances	6,574	4,912
• Depreciation on Revaluation Reserve	1,318	697
• Movement in the market value of Investment Properties debited or credited to CIES	<u>(178)</u>	<u>168</u>
	25,448	23,890
Prior Year Restatement		48
Balance at 31 March	<u>122,442</u>	<u>130,268</u>

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Notes to the Financial Statements

Note 26 – Unusable Reserves (continued)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement of Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2017 will be charged to the General Fund over the next 37 years.

	31 March 2016	31 March 2017
	£000	£000
Balance at 1 April	(3,167)	(2,957)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	6	6
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	204	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	210	210
Balance at 31 March	(2,957)	(2,747)

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Notes to the Financial Statements

Note 26 – Unusable Reserves (continued)

Pensions Reserve

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

	31 March 2016	31 March 2017
	£000	£000
Balance at 1 April	(135,470)	(108,274)
Return on Pension Assets	(4,250)	43,457
Actuarial Gains or Losses on Pension Assets and Liabilities	38,750	(93,444)
Reversal of items debited or credited to CIES	(16,843)	(14,548)
Employers Pensions contribution and direct payments to pensioners in the year	9,539	9,466
Balance at 31 March	(108,274)	(163,343)

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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.

	31 March 2016	31 March 2017
	£000	£000
Balance at 1 April	(2,217)	(2,107)
Settlement or cancellation of accrual made at the end of the preceding year	2,217	2,107
Amounts accrued at the end of the current year	(2,107)	(2,599)
	—————	—————
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	110	(492)
	—————	—————
Balance at 31 March	(2,107)	(2,599)
	—————	—————

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Note 27 – Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	31 March 2016	31 March 2017
	£000	£000
Interest Received	472	524
Interest Paid	(13,409)	(12,897)
Net surplus or deficit on the provision of services	(266)	(2,091)

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

	31 March 2016	31 March 2017
	£000	£000
Depreciation	13,538	13,838
Impairment and downward valuations	-	-
Amortisation	186	251
Impairment losses on Investments	-	-
Adjustment for effective interest rates	(6)	-
Increase in Interest Creditors	84	33
Increase/ (decrease) in Creditors	(4,750)	6,165
(Increase)/ decrease in Debtors	1,438	2,329
Decrease in Inventories	7	54
Pension Liability	7,304	5,082
Contributions to/(from) Provisions	(575)	(287)
Carrying amount of non-current assets sold	4,253	3,161
Carrying amount of short and long term investments sold	750	-
	<u>22,229</u>	<u>30,626</u>

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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:

	31 March 2016	31 March 2017
	£000	£000
Capital grants credited to surplus or deficit on the provision of services	(8,337)	(5,471)
Proceeds from the sale of short and long term investments	(750)	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,069)	(3,055)
	<u>(12,156)</u>	<u>(8,526)</u>

Note 28 – Cash Flow Statement – Investing Activities

	31 March 2016	31 March 2017
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	(19,345)	(16,561)
Other Capital Payments	(133)	(171)
Purchase of short and long term investments	-	(7,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,069	3,055
Proceeds from short-term investments	750	-
Capital Grants received	7,359	7,407
Net cash flows from investing activities	<u>(8,300)</u>	<u>(13,270)</u>

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Note 29 – Cash Flow Statement – Financing Activities

	31 March 2016	31 March 2017
	£000	£000
Cash receipts of short and long-term borrowing	-	7,299
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,290)	(1,311)
Repayments of short and long-term borrowing	(16,781)	(6,578)
Net cash from financing activities	(18,071)	(590)

Note 30 - 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 (2015/16: £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 31 – Pooled Budgets

The Local Partnership agreement which existed between Clackmannanshire Council and NHS Forth Valley (Health Board, Primary Care Trust and Acute Trust) is now part of the Integration Joint Board and is included in the IJB figures reported in the 2016/17 Annual Accounts. There are no other Pooled Budgets to report.

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Note 31 – Pooled Budgets (continued)

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

	2015/16	2016/17
	£000	£000
Funding provided to the pooled budget:		
Clackmannanshire Council	639	-
NHS Forth Valley	592	-
Total Funding	1,231	-
Expenditure met from the pooled budget:		
Clackmannanshire Council	(564)	-
NHS Forth Valley	(534)	-
Total Expenditure	(1,098)	-
Net Surplus arising on the pooled budget during the year	133	-
Clackmannanshire Council share is 0% (2015/16 52%) of the net Surplus/(Deficit) arising on the pooled budget	69	-

Note 32 – 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 (2015/16: £0.208m), this covers both the audit of the Council Accounts £0.199m and the Sundry Trust Fund accounts £0.004m which the Council approved to fund for the 2016/17 financial year. These costs are shown within the Resources and Governance line in the Comprehensive Income and Expenditure Statement.

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Note 33 – 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 2016/17 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 11 (Grant Income);
- b) Payments to the Falkirk Council Superannuation Fund and Scottish Government (Teachers’ Pensions) are shown in Notes 37 and 38 (Pension Schemes);
- c) Requisitions paid to Joint Boards are shown on the Comprehensive Income and Expenditure Statement;
- d) Payments to Elected Members and Chief Officers are shown in the Remuneration Report; and
- e) Lease payments and receipts from Clackmannanshire Regeneration LLP are shown in Note 35.

The following table shows significant payments and receipts between Clackmannanshire Council and it’s associated entities

	2015/16	2016/17
	£000	£000
Contribution payment made to Clackmannanshire and Stirling Integration Joint Board	-	16,518
Commissioning income received from Clackmannanshire and Stirling Integration Joint Board	-	(16,518)

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Note 34 – Capital Expenditure and Capital Financing

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

	31 March 2016	31 March 2017
	£000	£000
Opening Capital Financing Requirement	161,239	153,293
Capital Investment		
Property Plant & Equipment	15,850	16,080
Investment Properties	36	-
Intangible Assets	391	487
Revenue Expenditure Funded from Capital Under Statute	133	171
Sources of finance		
Capital receipts	(1,607)	(2,925)
Government grants and other contributions	(7,837)	(6,902)
Sums set aside from revenue:		
• Direct revenue contributions	(6,574)	(4,912)
• Repayment of Finance Lease Capital Debt	(1,290)	(1,311)
• Loans Fund Principal	(7,048)	(6,975)
Closing Capital Financing Requirement	153,293	147,006
Increase/(decrease) in CFR (unsupported by government financial assistance)	(7,946)	(6,287)

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Note 35 – Leases

Council as Lessee
Finance Leases

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

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

	31 March 2016	31 March 2017
	£000	£000
Infrastructure Assets	<u>383</u>	<u>376</u>

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

	31 March 2016	31 March 2017
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
• Current	65	70
• Non-current	312	242
Finance costs payable in future years	89	61
Minimum lease payments	<u>466</u>	<u>373</u>

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Note 35 – Leases (continued)

Finance Leases (continued)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£000	£000	£000	£000
No later than one year	28	24	65	70
Later than one year not later than five years	61	37	312	242
Later than five years	-	-	-	-
	<u>89</u>	<u>61</u>	<u>377</u>	<u>312</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </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:

	31 March 2016	31 March 2017
	£000	£000
Not later than one year	184	184
Later than one year and not later than five years	643	459
Later than five years	-	-
	<u>827</u>	<u>643</u>
	<u> </u>	<u> </u>

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Note 35 – Leases (continued)

Operating Leases (continued)

The expenditure charged to the respective service lines in the Comprehensive Income and Expenditure Statement during the year was:

	2015/16	2016/17
	£000	£000
Minimum lease payments	184	184
	—	—

Council as Lessor

Operating Leases

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

The lease reflects a rent of £1 per annum.

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Note 36 – Private Finance Initiatives and Similar Contracts

Secondary Schools PFI Scheme

2016/17 was the ninth 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 2017, excluding any estimate of availability/performance deductions are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable within 1 year	3,529	992	3,324	7,845
Payable within 2 to 5 years	15,330	4,427	13,099	32,856
Payable within 6 to 10 years	21,312	7,654	15,710	44,676
Payable within 11 to 15 years	26,182	9,160	13,832	49,174
Payable within 16 to 20 years	27,704	14,430	12,128	54,262
Payable within 21 to 25 years	14,527	5,429	2,384	22,340
Total	108,584	42,092	60,477	211,153

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Note 36 – 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:

	2015/16	2016/17
	£000	£000
Balance outstanding at start of year	44,568	43,338
Payments during the year	(1,230)	(1,246)
Balance outstanding at year-end	43,338	42,092

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Note 37 - 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 2016 was 17.2% of pensionable pay. The rate has remained the same since 1 September 2015. In total for the year 2016/17 the Council paid £3.190m to Teacher's Pensions in respect of teachers retirement benefits. The comparative amount paid in 2015/16 was £3.160m which equates to 16.3% of pensionable pay.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31st March 2017, the Council's own contribution equates to approximately 0.8% (2015/16: 0.9%).

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Note 38 - 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 38 - Defined Benefit Pension Schemes (continued)

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

	Local Government Pension Scheme	
	2015/16	2016/17
	£000	£000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
• Current service cost	11,534	10,059
• Past service costs	928	680
Financing and Investment Income and Expenditure:		
• Interest expense – defined benefit obligation	12,110	12,434
• Interest income on scheme assets	<u>(7,729)</u>	<u>(8,625)</u>
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	16,843	14,548
Other Post Employment Benefit Charged to the CIES		
Re-measurement of the net defined benefit liability comprising:		
• Return on pension fund assets (excluding interest income above)	4,250	(43,457)
• Actuarial (gains)/losses arising on changes in demographic assumptions	-	-
• Actuarial (gains)/losses arising on changes in financial assumptions	(34,291)	92,608
• Other experience (gains)/losses	(4,459)	836
Total Post Employment Benefit Charged to the CIES	<u>(17,657)</u>	<u>64,535</u>
Movement in Reserves Statement (MIRS)		
• 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>(16,843)</u>	<u>(14,548)</u>
Actual amount charged against the General Fund Balance for Pensions in the year:		
• Employer’s contributions payable to the Pension Fund	<u>9,539</u>	<u>9,466</u>

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Note 38 - 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:

Movement in Reserves Statement (MIRS)	31 March 2016	31 March 2017
	£000	£000
Present value of the defined benefit obligation (1)	(354,117)	(462,777)
Fair value of pension fund assets	245,843	299,434
	<hr/>	<hr/>
Net Liability arising from Defined Benefit Obligation	(108,274)	(163,343)
	<hr/>	<hr/>
(1) Unfunded liabilities for present Value of liabilities		
• Unfunded liabilities for Pension Fund	16,661	18,465

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 38 - Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme

	2015/16	2016/17
	£000	£000
Opening Balance at 1 April	(376,155)	(354,117)
Current service cost	(11,534)	(10,059)
Interest cost	(12,110)	(12,434)
Contributions by Pension Fund participants	(2,264)	(2,276)
Re-measurement gains/(losses)		
- Actuarial gains/(losses) from change in financial assumptions	34,291	(92,608)
- Actuarial gains/(losses) from other experiences	4,459	(836)
Past service costs	(928)	(680)
Benefits paid	10,124	10,233
Closing value at 31 March	(354,117)	(462,777)

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

	Local Government Pension Scheme	Local Government Pension Scheme
	31 March 2016	31 March 2017
	£000	£000
Opening fair value of pension fund assets	240,685	245,843
Interest income	7,729	8,625
Return on pension assets (excluding amounts included in net interest)	(4,250)	43,457
Contributions from employers	9,539	9,466
Contributions by employees in the scheme	2,264	2,276
Benefits paid	(10,124)	(10,233)
Closing fair value of pension fund assets	245,843	299,434

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Note 38 - 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:

	Local Government Pension Scheme	
	31 March 2016	31 March 2017
	£000	£000
Equity instruments (by industry type)		
- Consumer	25,823	31,134
- Manufacturing	13,894	14,607
- Energy & Utilities	8,769	12,082
- Financial institutions	15,889	20,200
- Health & Care	12,576	13,499
- Information & Technology	14,888	20,604
- Other	<u>6</u>	<u>5,908</u>
Sub Total Equity	91,845	118,034
Debt Securities		
- Corporate Bond (investment grade)	<u>3,973</u>	<u>11,461</u>
	3,973	11,461
Property (by type)		
- UK	19,114	18,704
- Overseas	<u>582</u>	<u>510</u>
Sub Total Property	19,696	19,214
Private Equity		
- UK	<u>17,884</u>	<u>22,961</u>
Sub Total Private Equity	17,884	22,961

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Note 38 - Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme

Analysis of Pension Fund's Assets (continued)

	31 March 2016	31 March 2017
	£000	£000
Other Investment funds		
- Equities	52,295	66,511
- Bonds	16,944	14,406
- Infrastructure	3,215	3,593
- Other	<u>28,375</u>	<u>31,033</u>
Sub Total Other Investment Funds	100,829	115,543
Cash and cash equivalents	<u>11,616</u>	<u>12,221</u>
Total Assets	245,843	299,434

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 2017. 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 38 - Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme

	2015/16	2016/17
Long-term expected rate of return on assets in the fund		
Equity investments	3.5%	2.6%
Bonds	3.5%	2.6%
Property	3.5%	2.6%
Cash	3.5%	2.6%
 Mortality assumptions		
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
	2015/16	2016/17
Rate of inflation	2.2%	2.4%
Rate of increase in salaries	3.7%	3.9%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting Fund liabilities	3.5%	2.6%

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Note 38 - Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities (continued)

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

Changes in Assumptions at 31 March 2017

	Approx % Increase to Employer	Approx Monetary Amount (£000)
0.5% Decrease in Real Discount Rate	11%	50,598
0.5% increase in the Salary Increase Rate	4%	17,975
0.5% increase in the Pension Increase Rate	7%	31,129

Impact on the Authority's Cash Flow

The objectives of the LGPS are to keep employers' contributions at as constant a rate as possible. For 2016/17 employers' contributions were set at 21% of employees' rates. For 2017/18 employers' contributions have been set at 21.5%. The next triennial valuation will be completed by 31 March 2018 which will provide the rates for future years. The total contributions expected to be made by Clackmannanshire Council to Falkirk Pension Fund in the year to 31 March 2018 is £8.161m.

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Note 39 – 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.

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.

Health and Safety

The Council has a liability in respect of a Health and Safety at Work related issue. The Council admitted liability and put in place corrective action prior to an investigation by the Health and Safety Executive who have reported the matter to the Procurator Fiscal. At this stage, it is unclear when legal action will be concluded and what the Council's potential financial liability will be.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

Note 40 – 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 2016/17 was approved by Full Council on 3 March 2016 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.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

Note 40 – 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 £19.8m, 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 2017 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 £3.117m is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2016	31 March 2017
	£000	£000
Less than three months	1,929	1,632
Three to six months	78	146
Six months to one year	192	151
More than one year	<u>1,112</u>	<u>1,188</u>
Total	<u>3,311</u>	<u>3,117</u>

During the year a sum of £143k was charged to the Comprehensive Income and Expenditure statement, increasing the provision against current debts to £1.113m.

2. Liquidity Risk

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

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

Note 40 – Nature and Extent of Risks Arising from Financial Instruments (continued)

2. Liquidity Risk (continued)

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 25% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

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

Loans Outstanding	31 March 2016	31 March 2017
	£000	£000
Public Works Loans Board	78,645	76,444
LOBO Loan	24,006	5,000
Market Debt	-	19,300
Other Short Term Borrowings	-	3,000
Total	102,651	103,744
	<hr/>	<hr/>
Less than 1 year	6,200	3,000
Between 1 and 2 years	-	5,000
Between 2 and 5 years	5,412	412
Between 5 and 10 years	5,007	5,719
More than 10 years	86,032	89,613
Total	102,651	103,744
	<hr/>	<hr/>

In the more than 10 years category there are £18.5m of market loans and £5m of LOBO loans all of which are fixed rate loans.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

Note 40 – 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.

As the Council now only have fixed rate borrowing, there will be no impact on the Comprehensive Income and Expenditure Statement due to fluctuations in interest rates.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

Note 40 – Nature and Extent of Risks Arising from Financial Instruments (continued)

3. Market Risk (continued)

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 therefore has no exposure to loss arising from movements in exchange rates.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Financial Statements

Note 41 – 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 which are audited by the Councils external auditors, a copy of which can be obtained on request from Clackmannanshire Council.

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

	2015/16	2016/17
	£000	£000
Clackmannan District Council Charitable Trust	3	2
Clackmannanshire Educational Trust	25	24
Tillicoultry Old Age Pensioners Outing Fund	2	2
Old Folks Welfare Fund	6	6
	<hr/>	<hr/>
	36	34
	<hr/>	<hr/>

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

	2015/16	2016/17
	£000	£000
Total Value of Trusts and Endowments	326	329
	<hr/>	<hr/>
Total Value of all Trusts and Endowments	362	363
	<hr/>	<hr/>

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
HOUSING REVENUE ACCOUNT (HRA) Income and Expenditure Statement
for the year ended 31 March 2017

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.

Restated		2016/17	2016/17
2015/16		£000	£000
£000			
	Expenditure		
5,579	Repairs and maintenance	5,410	
4,073	Supervision and management	3,441	
6,805	Depreciation and impairment of non-current assets	7,087	
293	Impairment of debtors	338	
306	Other Expenditure	466	
17,056	Total Expenditure		16,742
	Income		
(17,768)	Dwelling Rents	(18,488)	
(64)	Non-dwelling rents	(74)	
(17,832)	Total Income		(18,562)
(776)	Net (Income)/Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement		(1,820)

The 2015/16 figures have been restated to show the £125k share of Corporate and Democratic Core costs included in Supervision and Management expenditure as per the management accounts reported to committee throughout the year.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
HOUSING REVENUE ACCOUNT (HRA) Income and Expenditure Statement
for the year ended 31 March 2017

2015/16		2016/17	2016/17
£000		£000	£000
	HRA Share of the operating income and expenditure included in The Comprehensive Income and Expenditure Statement		
262	(Gain)/Loss on sale of HRA non-current assets	(129)	
1,472	Interest payable and similar charges	1,465	
(23)	Interest and investment income	(11)	
616	Pensions interest cost and expected return on pension assets	392	
<u>(1,163)</u>	Capital grants and contributions receivable	<u>(647)</u>	
1,164			1,070
<hr/> 388 <hr/>	(Surplus)/ Deficit for the year on HRA Services		<hr/> (750) <hr/>

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
HOUSING REVENUE ACCOUNT (HRA) Movement in Reserves Statement
for the year ended 31 March 2017

2015/16		2016/17	2016/17
£000		£000	£000
(1,949)	Balance on the HRA at the end of the previous year		(710)
388	Deficit/(Surplus) for the year on the HRA Income and Expenditure Statement	(750)	
851	Adjustments between accounting basis and funding basis under regulations (Note 1)	(513)	
<u>1,239</u>	(Increase)/Decrease in the year on HRA	<u> </u>	<u>(1,263)</u>
<u>(710)</u>	Balance on the HRA at the end of the current year		<u>(1,973)</u>

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
HOUSING REVENUE ACCOUNT (HRA)
Notes for the year ended 31 March 2017

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

2015/16		2016/17
£000		£000
(262)	Gain/(Loss) on sale and disposal of HRA non-current assets	129
6,553	Capital expenditure funded by the HRA	4,912
1,163	Capital Grants contributions that have been applied to capital financing	647
	Transfer to/from the Capital Adjustment Account:	
(6,805)	- Depreciation and Impairment	(7,087)
1,483	- Repayment of Debt	1,569
(1,248)	HRA share of contributions to/from the Pension Reserve	(664)
	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	
(33)		(19)
851	Total	(513)

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Housing Revenue Account

HRA 2. Housing Stock

The Council's housing stock at 31 March 2017 was 4,967 (31 March 2016: 4,992) in the following categories:

2015/16		2016/17
Number		Number
25	One apartment	25
1,352	Two apartment	1,369
2,230	Three apartment	2,209
1,247	Four apartment	1,227
137	Five apartment	136
1	Six apartment	1
<hr/> 4,992	Total	<hr/> 4,967 <hr/>

HRA 3. Rent Arrears

Rent Arrears increased during the year by £166,127 to a total of £1,540,385 (2015/16: £1,374,258). As a percentage of gross rental income, the arrears represent 8.3% (2015/16: 7.7%) which is equivalent to £309 (2015/16: £275) per house.

HRA 4. Impairment of Debtors

In 2016/17 an impairment of £1,234,493 (2015/16: £1,092,571) has been provided in the Balance Sheet for irrecoverable rents, an increase of £141,922 on the provision in 2015/16.

HRA 5. Rent Lost Due To Empty Properties

Rent lost due to empty properties during the year was £454,477 (2015/16: £293,551) this is included within the other expenditure figures in the Income and Expenditure Statement.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Council Tax Income Account for the year ended 31 March 2017

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.

2015/16		2016/17
£000		£000
(25,721)	Gross Council Tax levied and contributions in lieu	(25,890)
	Deduct:	
3,001	Other discounts and reductions	3,093
616	Write-off of uncollectable debts and allowance for impairment	578
18	Adjustments to previous years Council Tax	8
3,428	Council Tax Reduction Scheme	3,316
<hr/> (18,658) <hr/>	Net Council Tax Income transferred to General Fund	<hr/> (18,895) <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 2016/17 was £1,148. Council Tax Charges have been frozen at these levels since 2008/09 by the Scottish Government.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Council Tax Income Account

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

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

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Council Tax Income Account

CTI.2 Calculation of the Council Tax Charge Base 2016/17

	A	A	B	C	D	E	F	G	H	Total
	(Disabled Relief)									
Total number of dwellings	-	6,319	7,304	2,021	2,529	3,216	1,911	872	49	24,221
Less exempt dwellings	-	(274)	(253)	(90)	(51)	(52)	(22)	(14)	(5)	(761)
Dwellings subject to disabled reduction	-	(22)	(31)	(19)	(18)	(43)	(14)	(8)	(3)	(158)
Dwellings subject to tax at this band due to disabled relief	22	31	19	18	43	14	8	3	-	158
Less adjustments for single discounts	(3)	(865)	(756)	(198)	(183)	(178)	(67)	(28)	(1)	(2,279)
Less adjustments for double discounts	-	(23)	(27)	(11)	(13)	(8)	(7)	(2)	(1)	(92)
Less adjustments for disregarded adults	-	(2)	(2)	(1)	-	(1)	-	-	-	(6)
Effective number of dwellings	19	5,164	6,254	1,720	2,307	2,948	1,809	823	39	21,083
Band D equivalent factor (ratio)	(5/9)	(6/9)	(7/9)	(8/9)	(9/9)	(11/9)	(13/9)	(15/9)	(18/9)	
Band D equivalent Number of Dwellings	10	3,443	4,864	1,529	2,307	3,603	2,613	1,372	78	19,819

Less provision for non-collection @ 2.5%

495 properties

Council Tax Base 2016/17

19,324 properties

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Non Domestic Rates Income Account for the year ended 31 March 2017

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.

2015/16		2016/17
£000		£000
(18,581)	Gross rates levied and contributions in lieu	(19,048)
3,583	Reliefs and other deductions	3,303
299	Allowance for impairment of debts and appeals	176
<hr/> (14,699) <hr/>	Net Non-Domestic Rate Income	<hr/> (15,569) <hr/>
159	Adjustment to previous years' national non-domestic rates	84
<hr/> (14,540) <hr/>	Net Non-Domestic Rates Income	<hr/> (15,485) <hr/>
(34)	Add back: 25% Discretionary Reliefs not offset for Pool Contribution	(33)
<hr/> (14,574) <hr/>	Income for Contribution to Non-Domestic Rate Pool	<hr/> (15,518) <hr/>

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Non Domestic Rates Income Account for the year ended 31 March 2017

2015/16		2016/17
£000		£000
14,574	Contribution to National Non-Domestic Rate Pool	15,518
(15,853)	Distribution from National Non-Domestic Rate Pool	(16,269)
<hr/>		<hr/>
(1,279)	(Gain)/Loss from National Pool	(751)
<hr/>		<hr/>
(15,853)	Net NNDR Income per the Comprehensive Income and Expenditure Statement (Note 11)	(16,269)
<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

	2015/16	2016/17
National Non-Domestic Rate	48p	48.4p
Large Property Supplement – properties valued > £35,000	1.3p	2.6 p

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Non Domestic Rates Income Account for the year ended 31 March 2017

NDR 3. Analysis of Rateable Values as at 1 April 2016

Type of Subject	Number of Premises	Rateable Value £000
Commercial	875	13,564
Industrial	288	14,126
Miscellaneous	385	10,578
Total	1,548	38,268

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
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 £9k principal funds held within the Common Good Accounts.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Common Good Comprehensive Income and Expenditure Statement
For the year ended 31 March 2017

31 March 2016			31 March 2017
£000			£000
	Income		
(201)	Charges for use of premises	(262)	
<u>(201)</u>		<u> </u>	(262)
	Expenditure		
46	Property Maintenance	65	
55	Utilities	49	
43	Rates	80	
37	Cleaning, land services and refuse collection	39	
20	Insurance	29	
169	Depreciation and Impairment	172	
<u>370</u>			<u>434</u>
169	Cost of Services		172
-	Investment Income		(1)
(93)	Non-Specific Grant Income		(60)
76	Deficit on Provision of Services		111
(40)	(Surplus)/deficit on revaluation of non-current assets charged to the Revaluation Reserve		-
<u>36</u>	Total Comprehensive (Income) and Expenditure		<u>111</u>

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Common Good Balance Sheet
As at 31 March 2017

2015/16		2016/17
£000		£000
	Non-Current Assets	
4,224	Property, Plant and Equipment	4,112
	Current Assets	
8	Short-Term Investments	9
<u>4,232</u>	Net Assets	<u>4,121</u>
	Usable Reserves	
8	Revenue Reserve	9
	Unusable Reserves	
248	Revaluation Reserve	248
3,976	Capital Adjustment Account	3,864
<u>4,232</u>		<u>4,121</u>

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Common Good Movement on Reserves Statement
As at 31st March 2017

	Usable Reserves	Unusable Reserves	Total Reserves
Balance at 31 March 2015	<u>8</u>	<u>4,260</u>	<u>4,268</u>
Movement in Reserves during 2015/16			
Total Comprehensive Income and Expenditure	(76)	40	(36)
Adjustments between accounting basis & funding Basis under regulations (Note 1)	76	(76)	-
Decrease in 2015/16	<u>-</u>	<u>(36)</u>	<u>(36)</u>
Balance at 31 March 2016 carried forward	<u>8</u>	<u>4,224</u>	<u>4,232</u>
Movement in Reserves during 2016/17			
Total Comprehensive Income and Expenditure	(111)	-	(111)
Adjustments between accounting basis & funding Basis under regulations (Note 1)	<u>112</u>	<u>(112)</u>	<u>-</u>
Increase in 2016/17	<u>1</u>	<u>(112)</u>	<u>(111)</u>
Balance at 31 March 2017 carried forward	<u>9</u>	<u>4,112</u>	<u>4,121</u>

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Common Good Account

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

2015/16

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

2016/17

	Common Good Balance £000	Movement in Unusable Reserves £000
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for Depreciation and Impairment of Non-Current assets	(172)	172
Capital Grants and Contributions Applied	60	(60)
	<u>(112)</u>	<u>112</u>
	—	—

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Group Financial Statements

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

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

Joint Ventures : Clackmannanshire and Stirling Integration Joint Board
CSBP Clackmannanshire Investments Limited

Associates: Central Scotland Valuation Joint Board
Common Good

Clackmannanshire and Stirling Integration Joint Board

The Clackmannanshire and Stirling Integration Joint Board (IJB) is a statutory body established to integrate health and social care services between Clackmannanshire Council, Stirling Council and NHS Forth Valley. The contribution provided by Clackmannanshire Council to the IJB in 2016/17 was £16.461m. The IJB Board comprises twelve voting members with three (25%) Elected Members of Clackmannanshire Council.

CSBP Clackmannanshire Investments Limited

The CSBP Clackmannanshire Investments Limited has two Elected Members of the Council who sit on the board of directors (50%). There was no contribution to or from the Joint Venture in the 2016/17 or 2015/16 financial years.

Central Scotland Valuation Joint Board

The Central Scotland Valuation Joint Board is the statutory body responsible for maintaining the electoral, council tax and non-domestic rate register for Clackmannanshire, Stirling and Falkirk Councils. The contribution made by Clackmannanshire Council to the board for 2016/17 was £0.321m.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Group Comprehensive Income and Expenditure Statement
for the year ended 31 March 2017

This statement combines the Comprehensive Income and Expenditure of the Council with the share of its associates and Joint Ventures income and expenditure to show the group position.

2015/16 Restated				2016/17		
Gross Expenditure	Gross Income	Net Expenditure /(Income)		Gross Expenditure	Gross Income	Net Expenditure /(Income)
£000	£000	£000		£000	£000	£000
7,800	(1,099)	6,701	Strategy & Customer Services	6,588	(662)	5,926
24,381	(3,662)	20,719	Resources & Governance	22,348	(2,318)	20,030
-	(1,641)	(1,641)	Central Support	-	(1,306)	(1,306)
432	-	432	Executive Team	420	-	420
18,616	(6,216)	12,400	Development & Environment	16,515	(4,562)	11,953
42,839	(2,920)	39,919	Education Services	45,225	(3,418)	41,807
23,717	(21,869)	1,848	Housing & Community Safety	23,832	(22,108)	1,724
43,470	(12,801)	30,669	Social Services*	60,176	(30,329)	29,847
623	(239)	384	Corporate Services	1,729	(491)	1,238
18,654	(20,865)	(2,211)	Housing Revenue Account	16,742	(18,562)	(1,820)
351	-	351	Valuation Joint Board	321	-	321
745	(589)	156	Share of Associates & Joint Ventures	44,945	(45,581)	(636)
181,628	(71,901)	109,727	Cost of Services	238,841	(129,337)	109,504

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Group Comprehensive Income and Expenditure Statement
For the year ended 31 March 2017

2015/16 Restated				2016/17		
Gross Expenditure	Gross Income	Net Expenditure /(Income)		Gross Expenditure	Gross Income	Net Expenditure /(Income)
£000	£000	£000		£000	£000	£000
1,554	-	1,554	Other Operating Expenditure	-	(173)	(173)
13,803	(691)	13,112	Financing and Investment Income and Expenditure	12,931	(898)	12,033
-	(123,971)	<u>(123,971)</u>	Taxation and Non-Specific grant Income	-	(119,909)	<u>(119,909)</u>
		422	(Surplus) or Deficit on Provision of Services			1,455
		(2,434)	(Surplus) or Deficit on revaluation of non-current assets			(835)
		47	Impairment losses on non-current assets charged to the revaluation reserve			48
		(34,500)	Actuarial (gains)/losses on pension assets/ liabilities			49,987
		(316)	Share of Other Comprehensive (Income)/ Expenditure of Associates and Joint Ventures			347
		<u>(36,887)</u>	Other Comprehensive Income and Expenditure			<u>49,547</u>
		<u>(36,465)</u>	Total Comprehensive Income and Expenditure			<u>51,002</u>

*The gross income and gross expenditure shown above for Social Services includes £16.518m for services commissioned under the Clackmannanshire and Stirling Integration Joint Board.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Group Movement in Reserves Statement
For the Year Ended 31st March 2017

This statement shows the movement in the year on the different reserves held by the Council alongside the reserves of the associates and Joint Ventures that the Council has an interest in giving a total reserves position for the Group.

	Council Usable Reserves £000	Group Usable Reserves £000	Total Usable Reserves £000	Council Unusable Reserves £000	Group Unusable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2015	17,957	386	18,343	61,809	3,089	64,898	83,241
Movement in Reserves during 2015/16							
Increase or (decrease) in 2015/16	520	(29)	491	36,101	188	36,289	36,780
Balance at 31 March 2016 carried forward	18,477	357	18,834	97,910	3,277	101,187	120,021
Restated Balance at 31 March 2016	18,429	357	18,786	97,958	3,277	101,235	120,021
Movement in Reserves during 2016/17							
Increase or (decrease) in 2016/17	(2,332)	796	(1,536)	(48,959)	(499)	(49,458)	(50,994)
Balance at 31 March 2017 carried forward	16,097	1,153	17,250	48,999	2,778	51,777	69,027

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Group Balance Sheet as at 31 March 2017

The Group Balance sheet shows the value of the Group combining Clackmannanshire Council's assets and liabilities with its share of the assets and liabilities of those entities in which it has a financial interest.

31 March 2016

31 March 2017

£000		£000
353,561	Property, Plant & Equipment	352,590
835	Heritage Assets	835
5,308	Investment Properties	5,125
770	Intangible Assets	1,006
7,883	Long-Term Investments	7,883
4,235	Investments in Associates and Joint Ventures	4,122
<u>2</u>	Long-Term Debtors	<u>2</u>
372,594	Non-Current Assets	371,563
288	Investment Properties held for Sale	938
849	Assets held for Sale	1,220
513	Inventories	459
14,794	Short-Term Debtors	11,970
3,015	Short-Term Investments	10,015
<u>3,665</u>	Cash and Cash Equivalents	<u>9,814</u>
23,124	Current Assets	34,416

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Group Balance Sheet as at 31st March 2017

31 March 2016		31 March 2017
£000		£000
(8,886)	Short-Term Borrowing	(5,284)
(17,859)	Short-Term Creditors	(25,117)
<u>(429)</u>	Provisions	<u>(295)</u>
(27,174)	Current Liabilities	(30,696)
(177)	Provisions	(23)
(96,451)	Long-Term Borrowing	(100,744)
(151,294)	Other Long-Term Liabilities	(205,298)
<u>(601)</u>	Liabilities of Associates and Joint Ventures	<u>(191)</u>
(248,523)	Long-Term Liabilities	(306,256)
<u>120,021</u>	Net Assets	<u>69,027</u>
18,477	Usable Reserves	16,097
97,910	Unusable Reserves	48,999
<u>3,634</u>	Group Entity Reserves	<u>3,931</u>
120,021	Total Reserves	69,027

The unaudited financial statements were issued on 28 June 2017 and the audited financial statements were authorised for issue on 28 September 2017.

Nikki Bridle
Depute Chief Executive
28 September 2017

CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2016/17

Notes to the Group Financial Statements

GRP 1 Group Accounting Policies

The Financial Statements for the Group have been prepared in accordance with the Accounting Policies specified for the Council's financial statements and are set out in Note 1 of this document.

GRP 2 Disclosure of Interest in Other Entities

The Council has adopted the recommendations of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Financial Statements. The Council's interest in its associate has been accounted for using the equity method of accounting.

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

GRP 3 Financial Impact of Consolidation

The effect of inclusion of the Associate, Joint Ventures and Common Good entities on the Group Balance Sheet is to increase both the Reserves and Net Assets by £3.931m.

GRP 4 Group Entities

The Group Accounts consolidate the results of the Council with three other entities. For the purpose of consolidation and incorporation within the Group Accounts recognition has been made of the Council's interests in two associate organisations and two joint venture companies. The Balance Sheet of the Common Good Fund has been consolidated in full.

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Group Financial Statements (Continued)

GRP 4 Group Entities (continued)

The Associates which have been incorporated and shares of total requisitions are:

- Central Scotland Valuation Joint Board – 15.4%

The Joint Ventures which have been incorporated and percentage of total shareholdings are:

- CSBP Clackmannanshire Investments Limited – 50%
- Clackmannanshire & Stirling Integration Joint Board – 25%

The accounting period end for these entities is the 31 March 2017. Due to the timing of the publication of the accounts for CSBP Clackmannanshire Investments Ltd, the 2015/16 Accounts for this entity have been consolidated in the group accounts.

The individual accounts relating to these entities are published separately, and are available from the Depute Chief Executive, Kilncraigs, Alloa, FK10 1EB.

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

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

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

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

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Group Financial Statements (Continued)

GRP 4 Group Entities (continued)

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

GRP 5 Non-Material Interest in Other Entities

The Council also has an interest in Think Where Limited where Clackmannanshire, Stirling and Falkirk Councils are equal shareholders. The three funding Councils pay an annualised amount for core GIS services. The contribution paid by the Council in 2016/17 was £51,250 (2015/16 £107,560). The financial results of the organisation have not been consolidated into the Councils Group Accounts as the amounts are not material.

GRP 6 Financial Results of Associates and Joint Ventures

The aggregate amounts of assets, liabilities, gross income and surplus or deficit for the year in respect of the Councils Associates and Joint Ventures are shown below alongside the Council's share.

2015/16			2016/17	
Group	Council		Group	Council
Aggregate	Share		Aggregate	Share
£000	£000		£000	£000
4,300	4,236	Long term Assets	4,180	4,122
1,597	427	Current Assets	4,619	1,220
(299)	(72)	Current Liabilities	(291)	(70)
(6,208)	(956)	Long Term Liabilities (including pension liability)	(8,711)	(1,341)
(610)	3,634	Net Liabilities	(203)	3,931

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Group Financial Statements (Continued)

GRP 6 Financial Results of Associates and Joint Ventures (continued)

2015/16			2016/17	
Group Aggregate £000	Council Share £000		Group Aggregate £000	Council Share £000
3315	745	Gross Expenditure	179,799	44,945
<u>(2748)</u>	<u>(589)</u>	Gross Income	<u>(182,443)</u>	<u>(45,581)</u>
567	156	(Surplus) / deficit on provision of services	(2,644)	(636)
<u>(1,830)</u>	<u>(316)</u>	Other comprehensive (income)/ expenditure	<u>2,250</u>	<u>347</u>
(1,263)	(160)	Total Comprehensive (Income) /Expenditure	(394)	(290)

The Council's share of net liabilities is shown in the balance sheet as follows:

2015/16 £000		2016/17 £000
4,235	Investments in Associates and Joint Ventures	4,122
<u>(631)</u>	Liabilities of associates and joint ventures	<u>(191)</u>
3,634		3,931

The pension liabilities outlined above can be broken down between individual entities as follows:

31 March 2016			31 March 2017	
Total Liability £000	Council Share £000		Total Liability £000	Council Share £000
(6,208)	(956)	Central Scotland Valuation Joint Board	(8,711)	(1,341)

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2016/17
Notes to the Group Financial Statements (Continued)

GRP 7 Financial Impact of Group Consolidation

The table below shows the impact of including Group entities on the Surplus or Deficit on the provision of Services within the Comprehensive Income and Expenditure Statement.

31 March 2016		31 March 2017
£000		£000
156	(Surplus) / deficit on provision of services Group Entities	(636)
<u>266</u>	(Surplus) / deficit on provision of services Council	<u>2,156</u>
422	(Surplus) / deficit on provision of services Total	1,520
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The following information shows the impact on Reserves of including the group entities on the Balance Sheet:

31 March 2016		31 March 2017
£000		£000
357	Usable Reserves	1,153
	Unusable Reserves	
3,988	Capital Adjustment Account	3,875
248	Revaluation Reserve	248
(3)	Employee Statutory Adjustment Account	(4)
<u>(956)</u>	Pension Reserve	<u>(1,341)</u>
3,277	Total Unusable Reserves	2,778
 3,634	 Total Group Entities Reserves	 3,931
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