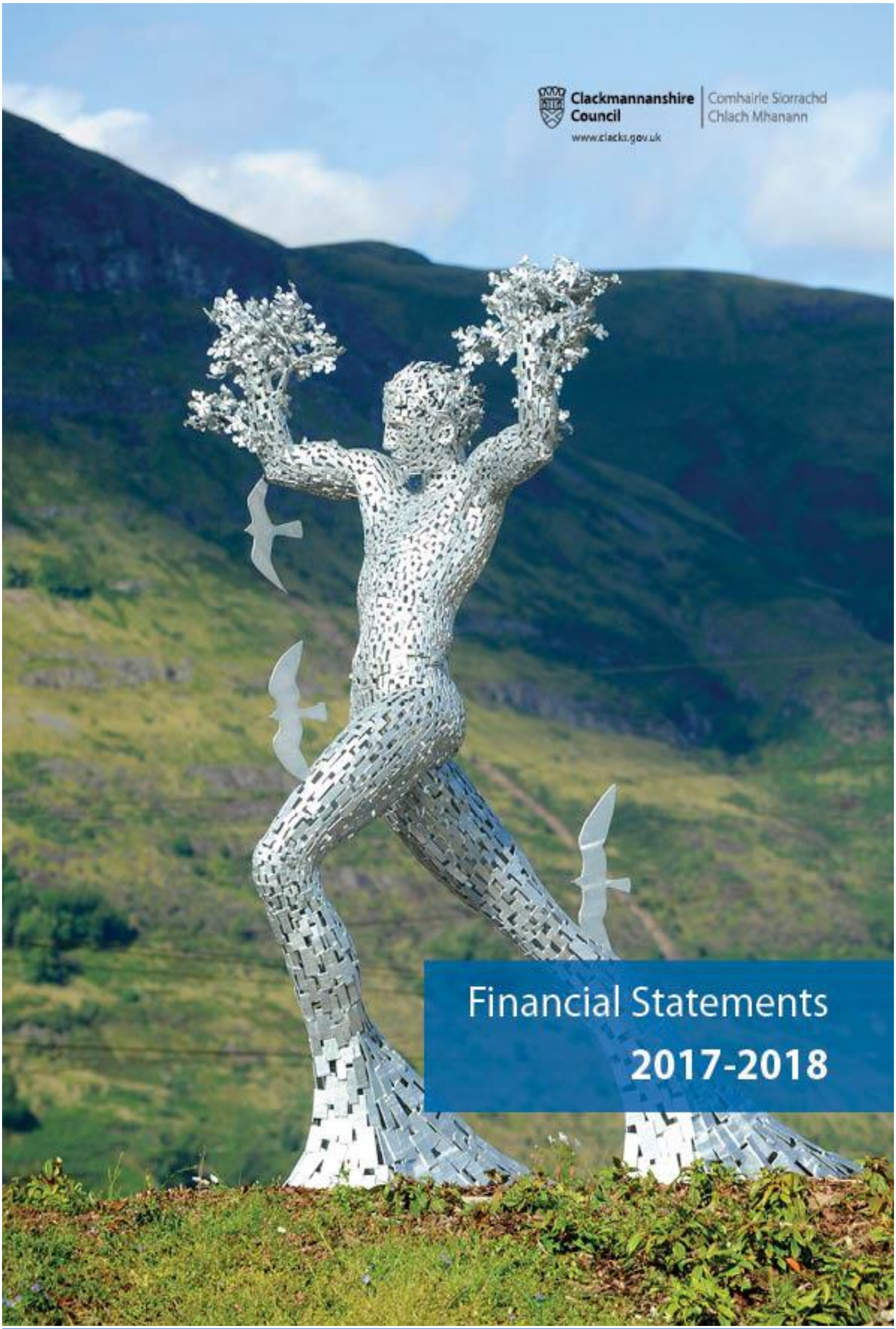


Financial Statements 2017-2018

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2017/18

Contents **Page No**

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 at the end of 2017/18: were 5 Labour, 8 SNP, 1 Independent and 4 Conservative. The dates from which they took up office can be found in the Remuneration Report on page 49.

Service Areas

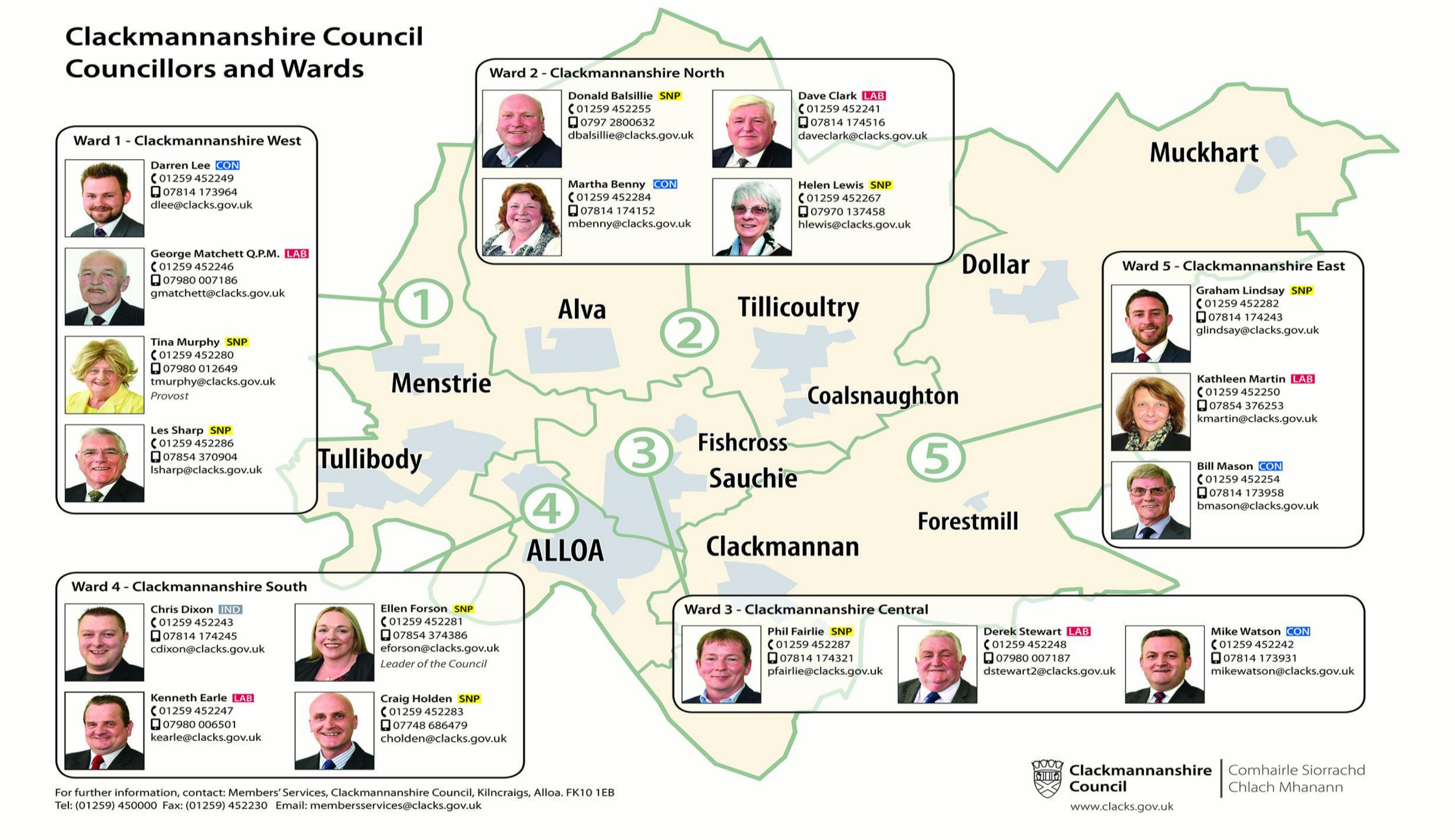
During 2017/18, Clackmannanshire Council's Chief Executive was Elaine McPherson, however she left the organisation on the 13 May 2018 and Nikki Bridle took up the post in an acting capacity until the appointment of a new Chief Executive is made. A competitive process was undertaken during July 2018, where Nikki Bridle was appointed to the role permanently, with immediate effect. The Chief Executive is the senior manager who leads and takes responsibility for the work the Council and who runs 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 2017/18 the Council had an Executive Team to provide strategic management of the Council comprising the Chief Executive, Deputy Chief Executive and Executive Director and six service groupings each lead by a Head of Service. Corporate and Service Management is provided by the Corporate Management Team (CMT), comprising the Executive Team, the six Heads of Service and the Chief Officer of the Integrated Joint Board (IJB). The IJB took over operational responsibility for adult care during 2017/18.

During 2018/19 a restructure of the Council will take place to better integrate services and draw out greater efficiencies. The Council will consolidate into 3 service areas being People, Partnership & Performance and Place; following broad service delivery themes have been identified. The proposed organisation design is predicated on more integrated, generic and flexible role design, as well as flexibility of working and deployment of staff. This approach will maximise the efficiency and effectiveness of service delivery for communities and the employment opportunities for staff.

The following diagrams indicate the structure in place at the year end.

2017/18 Councillors



2017/18 Management Team

The structure below was in place at the 31 March 2018, however Elaine McPherson the Chief Executive left the organisation in May 2018 and the Nikki Bridle the Deputy Chief Executive took up an acting role until her permanent appointment in July 2018. The Section 95 role has now been taken up by Paula Tovey the Interim Chief Accountant (who is not part of the management team).

Elaine McPherson

Chief Executive Until 13 May 2018

Executive Management Team Leader

Nikki Bridle

Deputy Chief Executive & Section 95 Officer until 13 May 2018
Chief Executive (Acting) 14 May to 15 July 2018
Chief Executive 16 July 2018

Executive Management team

Garry Dallas

Executive Director

Executive Management team

Anne Pearson

Head of Education

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

Stuart Crickmar

Head of Strategy & Customer Services

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

Ahsan Khan

Head of Housing & Community Safety

- Housing maintenance & improvements
- Tenancy & Estate Management
- Housing Options
- Housing Business Management
- Homelessness Support & Advice
- Community Safety
- Revenues
- Capital Projects
- Estates
- Public Building maintenance
- Housing Development & Regeneration

Stephen Coulter

Head of Resource & Governance

- Human Resources
- Legal Services
- Procurement
- Democratic Services
- Health & Safety
- Internal Audit & Fraud
- ICT services
- Accountancy Services
- Catering

Cecillia Gray

Head of Social services

- Child Care:
- Adoption & 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 Courts & Prison

Gordon McNeil

until 3 May 2017, then post vacant.

Head of Development & Environmental Services

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

Shiona Strachan

Chief Officer- Health & Social care Partnership

- 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

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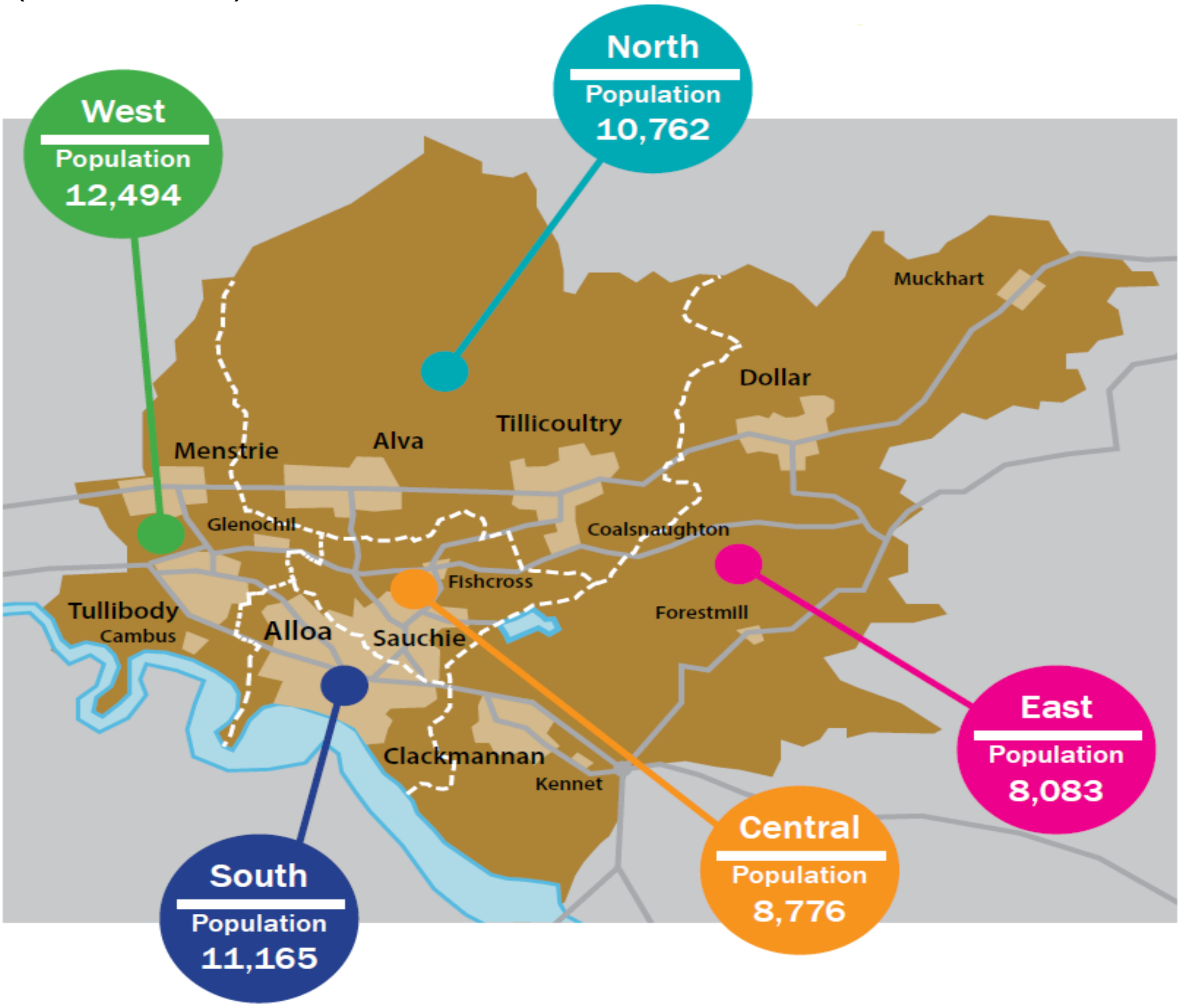
Management Commentary

Introduction

This commentary sets the scene and context for the Financial Statements for Clackmannanshire Council, for the year ended 31 March 2018 and provides specific details in relation to the Council's financial position, its priorities and performance and strategies and plans for achieving these objectives. The 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 Council in Scotland, covering 61 square miles and serving a population of 51,280. The Council employs 2,802 (headcount) staff (2016/17: 2,826).



Post-industrial impacts have been widespread and some communities exhibit intergenerational and deep-rooted poverty. New industry and transport links have created opportunities for some but they have also highlighted the gap between the most and least disadvantaged. That issue, along with anticipated population and demographic changes which are worse than national trends, creates a unique set of challenges for partners in Clackmannanshire.

"Local Outcomes Improvement Plan (LOIP) 2017-2027" sets out the vision of the Clackmannanshire Alliance for the next 10 years and builds upon the successes of our previous plan the Single Outcome Agreement for Clackmannanshire 2013/23. A central theme of this Plan is a joint commitment to tackling the inequalities that exists in Clackmannanshire as a result of poverty and socio-economic disadvantage.
The LOIP has been developed by the Clackmannanshire Alliance and sets out the ambitions for change for Clackmannanshire over the next decade. This plan sets out the commitment to reducing inequality and renewed focus to work together to secure better outcomes for Clackmannanshire. The Alliance has chosen to focus collective efforts on a core set of priorities based on discussions with partners and communities over the past 12 months and based on a sound understanding of local need and circumstances. LOIP is supported by three Locality Priority Plans for Clackmannanshire.

In order to achieve our vision for Clackmannanshire we have developed four long term strategic outcomes which will drive the direction of our strategic partnership working in Clackmannanshire over the next 10 years:

Strategic Outcomes for Clackmannanshire

1. Clackmannanshire will be attractive to businesses and people and ensure fair opportunities for all.
2. Our families; children and young people will have the best possible start in life
3. Women and girls will be confident and aspirational, and achieve their full potential.
4. Our communities will be resilient and empowered so that they can thrive and flourish.

For clarity and consistency the Alliance has chosen to develop locality plans based on the priorities that have been identified for Clackmannanshire. Investing the collective resources and efforts on these three areas will enable the partnership to secure the best outcomes for Clackmannanshire over the next 10 years.

Each community planning partner in Clackmannanshire is committed to these priorities and will reflect these in their own strategic plans to ensure all efforts drive improved outcomes for Clackmannanshire, particularly in light of the challenges that partners face over the next decade.

In 2017/18 the Council's gross expenditure was £196m (2016/17 £194.4m) and this was spent on delivering a wide range of services for communities across Clackmannanshire, which is a growing area where there are many opportunities. The context in which the Council operates is ever-changing and as contexts change, it is important that the Council is able to change with them, to make sure it is doing everything it can to improve people's quality of life and to make Clackmannanshire a better place.

Changes in public sector funding have been a key issue facing all Councils for a number of years and this will continue to impact on what Councils do and how they do it. While the financial context is challenging, but such challenging times also provide significant opportunities for real improvement, the Council and its partners are working in a more integrated way by pooling their collective resources to be more effective. Similarly, legislative changes are making it easier for communities to become more involved in finding solutions and engage more directly in service delivery.

Inequality and the impact of poverty and disadvantage in the community is widespread and that inequality limits choices, quality of life and life long opportunities for some families and some communities in Clackmannanshire. Poverty can blight childhood and can have long lasting effects on attainment, aspirations, learning and employment. The Council has identified a number of areas where there are significant inequality and where poverty is a very real problem for some families and communities. When comparing a range of health and wellbeing measures, Clackmannanshire varies significantly from the national average in 26 out of 56 measures including those relating to alcohol and substance use, mental health measures and childhood, women, ante and post natal health measures.

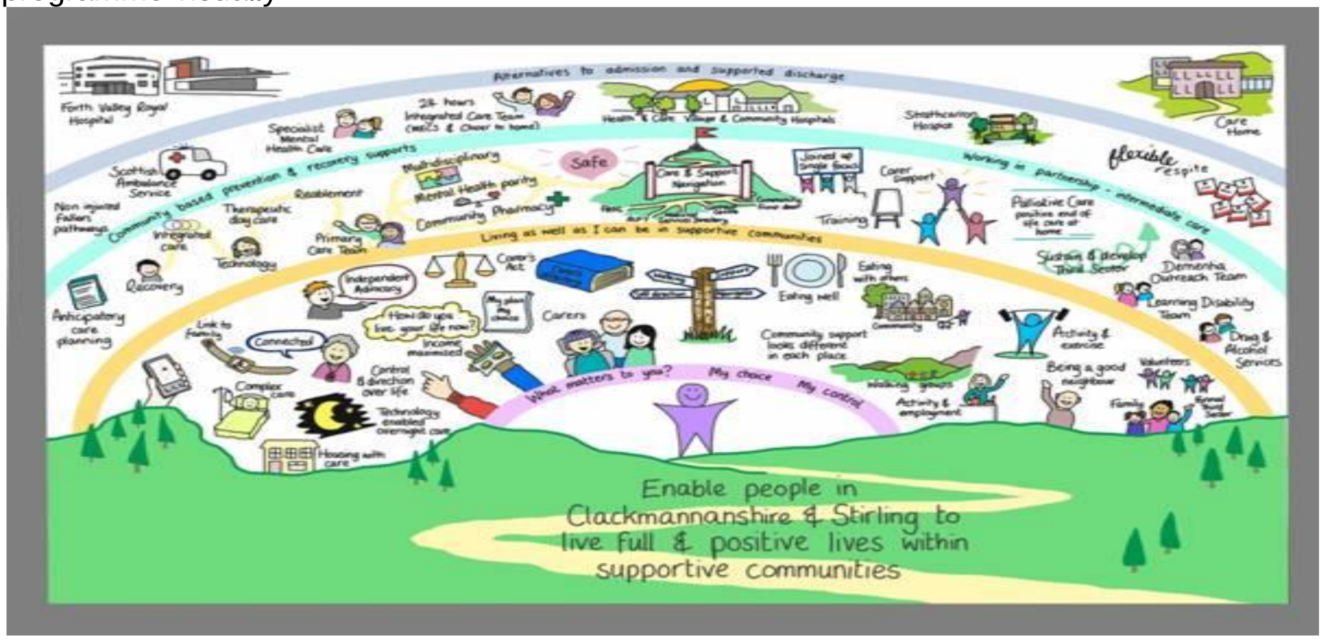
Research and analysis has identified a number of areas where Clackmannanshire significantly differs from Scotland in its performance relating to employment and income and gender equality. Stark differences in the employment rate and pay rates, between males and females; life expectancies between males and females and a high proportion of women who face additional inequalities through disability and/or caring responsibilities in Clackmannanshire. Tackling health inequalities lies at the heart of this plan.

More detailed analysis can be found in the LOIP document at:
https://www.clacks.gov.uk/community/loip/

Health & Social Care

During 2017/18, there has been significant investment in the implementation of Health and Social Care Integration (HSCI). In particular, the challenging financial position has been a focus and the IJB has looked at how HSCI can positively contribute to the delivery of more integrated, customer focused service delivery. 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.

Rich Picture
A ‘rich picture’ was commissioned to articulate the partnership vision and transforming care programme visually.



Principal Activities

During 2017/18 the key activities of Clackmannanshire and Stirling Integration Joint Board included:

- Issuing of Directions to Clackmannanshire Council, NHS Forth Valley and Stirling Council for their respective delegated functions, as set out in the Integration Scheme.
- Developing the Transforming Care Programme, as the overarching delivery programme for the progressing implementation of the Partnership Strategic Plan priorities.
- Developing options for service delivery to 2020 and undertaking a public consultation exercise.
- Further development of financial, risk and performance reporting arrangements as part of the corporate governance arrangements for the Integration Joint Board.
- Implementing delegation of operational management arrangements for Adult Social Care Service and progressing plans for delegation of further operational management arrangements in respect of Adult Social Care Services during 2018/19
- Review of the Integration Joint Boards committee structure and establishing and agreeing terms of reference for the Integration Joint Board Finance Committee
- Progressing with planning and construction for the Stirling Health and Care Village
- Undertaking a further review of the utilisation and effectiveness of deployment of Partnership Funding allocated to the partnership from Scottish Government based on evidence of impact, value, alignment with and contribution to the Strategic Plan Priorities and Key Performance Objectives.
- Agreement of the process for developing the Strategic Commissioning Plan for 2019-2022
- Developing arrangements for the implementation of the Carers (Scotland) Act 2016.

Change Programme & Financial Planning

The Council is committed to undertaking a major programme of change to ensure a sustainable cost base for the future, sustainability of service delivery and how it achieves the shared priority outcomes set through the LOIP.

The Council is continually reviewing its processes and procedures and financial planning continues to adapt to the changing economic climate through annual refresh of the Financial Strategy and regular Budget Strategy update reports to Council. The budget preparation process considers both the capital and revenue implications of change proposals for financial planning purposes. The resultant proposals are focused on delivering services that are financially sustainable and manage changing profiles of demand and service user's expectations.

During 2017/18, Chief Officers worked closely with the elected members to develop proposals which fed into the 2018/19 budget setting process.

Given the Council's context, it is crucial that benefits are maximised from all of the available resources. To allow the Council to deliver on its ambitions, it has in place a business change programme. The Council needs to ensure that it has a sustainable cost base for the future, sustainability of service delivery and most importantly, how it achieves the shared priority outcomes that have been set along with our community planning partners.

The diagram above summarises the change process in place during the year and will be updated along with the new structure. It also highlights the importance the Council places on financial management and stewardship of public funds.

Budget & Financial Planning

The Council continually reviews and updates its processes and procedures and 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. In these challenging circumstances it is vital that the Council continues to plan ahead and take early action to reduce costs, retaining a clear corporate focus. The budget preparation process considers both the capital and revenue implications of change proposals for financial planning purposes. The resultant proposals are focused ensuring the delivery of 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 2017/18, Chief Officers worked closely with the members of each political Administration to develop proposals which fed into the 2018/19 budget setting process.

The financial position presented in the Financial Statements provides 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 to deliver against the priority outcomes.

Business Performance

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 cumulative funding gap in the range of between £18.8m and £33.0m by 2020/21. This is clearly a challenging position 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 monitors and measures its performance in a number of ways, including:

- annual review of Local Outcome Improvement Plan (LOIP) performance which is scrutinised by both the Alliance and the Council's Scrutiny Committee;
- annual review of the Corporate Plan, which is reported to the Scrutiny Committee;
- progress of the change programme, through update reports to Council 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.

Response rates to complaints, enquiries and FOIs

It is a priority for the Council to respond to all complaints and enquires within the time limits wherever possible. A Stage 1 Complaint should be responded to within 5 days and Stage 2 within 20 days. The table below shows the performance for the year:

	Council	
	Number	**% on time**
Complaints (stage 1+2)	183	78%
Complaints stage 1	157	76%
Complaints stage 2	26	89%
Councillor enquiries	614	89%
MP / MSP enquiries	192	91%
FOIs	1173	94%

Sickness Absence Rates

Sickness absence continues to be an area for concern within the Council. In 2016/17 the Council ranked 32/32 for this performance measure in the Local Government Bench Marking Report. During 2017/18 the "Maximising Attendance & Wellbeing Policy" awareness sessions were provided for staff training and which aimed to provide a focus on good attendance; however the rate increased again from 5.2% to 5.3%.

2017/18	Staffing Ave FTE	Turnover %	Total Lost days	Short Term days	Long Term days	Total Absence %	Short Term %	Long Term %
Non Teaching Staff	1,099.49	14.1%	19,713	6,395	13,318	6.3%	32.4%	67.6%
Teaching Staff	912.68	10.9%	12,551	3,905	8,646	4.3%	31.1%	68.9%
	2,012.17	**12.5%**	**32,264**	**10,300**	**21,964**	**5.3%**	**31.9%**	**68.1%**
Movement	**(46)**	**0.8%**	**(599)**	**(1,143)**	**545**	**0.1%**	**(2.9)%**	**2.9%**

2016/17	Staffing Ave FTE	Turnover %	Total Days Lost	Short Term days	Long Term days	Total Absence %	Short Term %	Long Term %
Non Teaching Staff	1,173.19	12.9%	20,806	7,193	13,614	6.1%	34.6%	65.4%
Teaching Staff	884.8	10.5%	12,057	4,251	7,806	4.2%	35.3%	64.7%
	2,057.99	**11.7%**	**32,863**	**11,443**	**21,420**	**5.2%**	**34.8%**	**65.2%**

However, the number of actual days lost has decreased from 2016/17 by nearly 600, but the absence rate increased slightly by 0.1% because there were less staff in 2017/18. The long term absence element has increased year on year by 2.9% whilst short term absences have fallen. This may be related to the aging work force within certain areas of the Council. The Maximising Attendance & Wellbeing Policy continues to be applied to ensure as many employees as possible return to work as soon as they are able to do so.

Other Performance

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 Corporate Plan

The Council's current Corporate Plan sets out its vision for taking Clackmannanshire forward through focussing on Better Services, Better Opportunities and Better Communities. This was due to be updated during 2017/18 but was delayed whilst the new structure was developed. A refresh of the plan took place during the year, to take the Council through to the new plan being developed in 2018/19. The Council will be agreeing to a new Corporate

Plan during 2018/19 to reflect its new priorities and the current and future context. Performance highlights for the year include:

Better Services
The Plan detailed a vision for integrated and efficient local services which are responsive to local circumstances and need. 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;

- The income management system known as ParentPay has now been utilised within the three Secondary Schools for two full school years. The cashless system continues to be rolled out and now accounts for £495k of pupil expenditure made.
- investment in the development of new housing, LED street lighting, fleet and IT infrastructure throughout Clackmannanshire;
- During session 2017/18 the Education Service had an ambitious plan to carry out in depth reviews of every school/nursery in Clackmannanshire to identify strengths and areas for development. Establishments were required to prepare their own detailed self evaluation prior to the review to be validated during the review process. Out of the 24 reviews undertaken, 80% were rated satisfactory or above: and
- engagement with third sector in an initiative to improve commissioning approaches and integrated public service design.

Better Opportunities

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

- The development of the Clackmannanshire based projects as part of the City Region Deal bid and leading on the development of the Regional Skills and Inclusion Programme.
- A successful bid to deliver the new Scottish Employability Service, “Fair Start Scotland”, in the Forth Valley area.
- Of the 35 young people who began apprenticeships in the private sector under the Clackmannanshire Apprenticeship Initiative, 34 have now left or completed. 27 (79%) of leavers/completers have fully achieved their qualification and 28 (82%) have sustained employment beyond the period of their training.
- The development of a 10 year Sport and Active Living Framework in partnership with Sports Scotland.

Along with Falkirk and Stirling Councils and Forth Valley NHS, the team were part of a successful bid to deliver the new Scottish Employability Service, “Fair Start Scotland”, in the Forth Valley area. The service, which commenced on April 1st this year, aims to help at least 38,000 people nationally, 2,000 in Forth Valley and 400 locally to find employment, including those with disabilities and health issues. The key focus for the 2 year service will be tailored and personalised support for all those who participate.

In addition, Economic Development has continued to build on its track record of bringing in external and other funding to support labour market activity with the operational ‘Clackmannanshire Works’ team delivering positive outcomes under a variety of programmes:

- The *European Social Fund Employability (ESF) Pipeline* programme, which started in April 2015, continues to provide support to clients with multiple barriers to employment. In total, the programme has supported 504 clients, around a third of whom have gained employment (158) or entered education or training (28). 188 participants have also gained a qualification through the ESF programme.
- The team delivered 36 places under the *Employability Fund (EF)* contract with Skills Development Scotland. 20 places were filled by 16 – 18 year olds and 16 Stage 4 places were filled, predominantly by adults aged 25+. During the year, a successful bid for EF places was made for 2018/19, based on strong performance in moving individuals into work or further education as a result of the work experience and training support provided.
- *Sport and Active Living Framework* - The Service has supported the development of a 10 year Sport and Active Living Framework for Clackmannanshire in partnership with Sports Scotland. The work, which has been ongoing through 2017/18, has involved a series of stakeholder workshops to develop a set of strategic priorities for Clackmannanshire recognising the potential impact of sport and being physically active on improving strategic outcomes. The framework will be consulted on in early 2018/19.

Better Communities

The vision focuses on towns and villages, engaging with communities to improve community safety, use of open spaces and protecting the natural and built heritage of the area. Key achievements include:

- The Community Empowerment Fund 2017/18 promoted the availability of capital grants to support community empowerment and issued capital improvement grants totalling more than £69k to ten local community and voluntary groups for projects which allow communities to make better use of land and buildings.
- Overseeing the review of the Scheme for the Establishment of Community Councils through its second and third stages of statutory consultation in 2017/18.
- A number of developments were progressed during the year, particularly reflecting the implementation of the Community Empowerment (Scotland) Act 2015.
- Clackmannanshire's Local Outcome Improvement Plan 2017-2027 (LOIP) was developed and approved in line with statutory guidance.
- Five cross organisational Communities of Practice were established across the main community justice outcomes and were designed to provide stakeholder learning opportunities as well as informing the development of the longer term Community Justice Outcome Improvement Plan.
- An ambassador's toolkit has been developed as a workforce development tool across all partners engaged in the community justice agenda. The purpose of the toolkit is to aid conversations around community justice based on an evidence base of what works to reduce offending behaviours. This toolkit has been rolled out through ambassadors workshops and will continue throughout 2018/19.
- 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.

Sustainability

The Council's carbon emissions have reduced by 7% over the previous year because of greener electricity supplies and improved working practices, such as the use of LED street lighting. A bid for Scottish Government Home Energy Efficiency Funding resulted in a grant award of over £0.5 million to help improve energy efficiency in 106 houses in designated areas of multiple deprivation. A total of £51,308 in Energy Company Obligation (ECO) funding was secured as a further contribution to the project. The project is scheduled for completion in June 2018.

Overall, the Council has secured £14.5m in funding for energy efficiency initiatives. During 2017/18 continued investigations were made into the potential for renewable Energy District Energy Networks (DEN) and the potential for Solar, Geothermal and Hydro including the potential for including the potential for such projects within City Deal.

Financial Performance 2017/18

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom with the objective of presenting a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2018. A brief explanation of each statement and its purpose is provided at the beginning of each statement. The main statements appear in the accounts followed by a series of additional statements to give the reader a full analysis of what the Council spends its funding on annually. The funding comes from a number of sources and so there are a number of different outturn figure per year which together make up the Comprehensive Income & Expenditure figure. The Expenditure and Funding Analysis (Note 6) 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.

Within the General Fund, against the background of reducing resources, the Council has successfully delivered services within budget, including the £1.5m of reserves approved to support the 2017/18 budget. This position, along with consideration of the reserves utilised during the year, results in a decrease in General Fund reserves of £0.4m to £9.7m (2016/17: £10.1m). Of this total, £5.9m is earmarked for specific purposes.

The Council has a material interest in a number of bodies and prepares group accounts which include its appropriate share of these entities assets and liabilities. The group accounts can be found at the end of these statements, with details of the entities within the group.

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.

The Council invested £17.7m during the year; the table below shows some of the main projects.

Type of investment made:

	£'m
IT Investment	0.5
Tullibody south	2.5
Street lighting	1.8
Clackmannanshire regeneration	1.0
Foot paths, carriageways etc.	2.3
Fleet	0.6
Housing replacement - kitchen / heating	1.4
Other Projects	7.7
	17.8

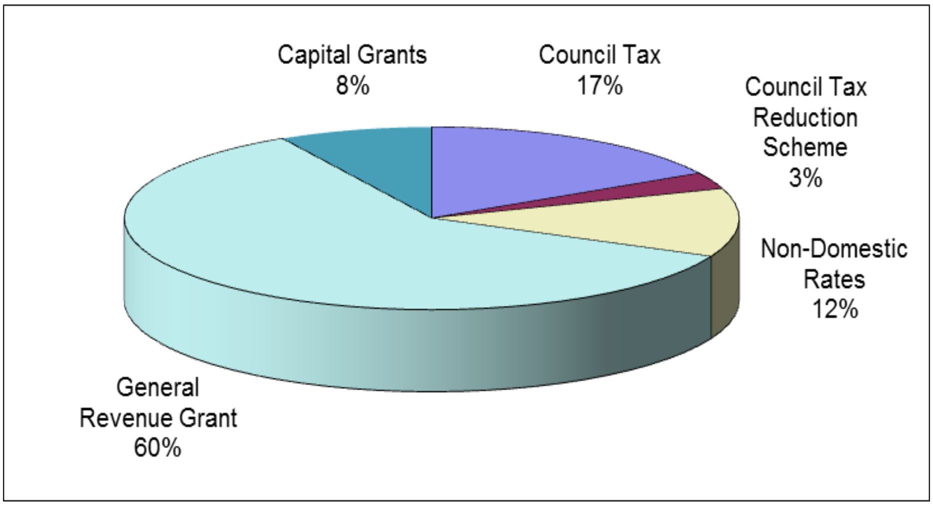
General Fund Results for the year

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 largest source of funds was the General Revenue Grant and Non-domestic Rates received from Scottish Government which amounted to £92.1m (2016/17: £90.8m). 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 130).

Income from Council Tax in 2017/18 was £20.7m (2016/17: £18.9m). Funding was also received from the Scottish Government for the Council Tax Reduction Scheme for which the Council received income of £3.6m (2016/17: (£3.5m). In 2017/18 capital grants totalled £10m (2016/17 £6.9m), £0.2m (2016/17 £0.2m) of which was transferred to Common good and third parties. The proportions of income received by the Council in each of these categories are shown in the following chart:

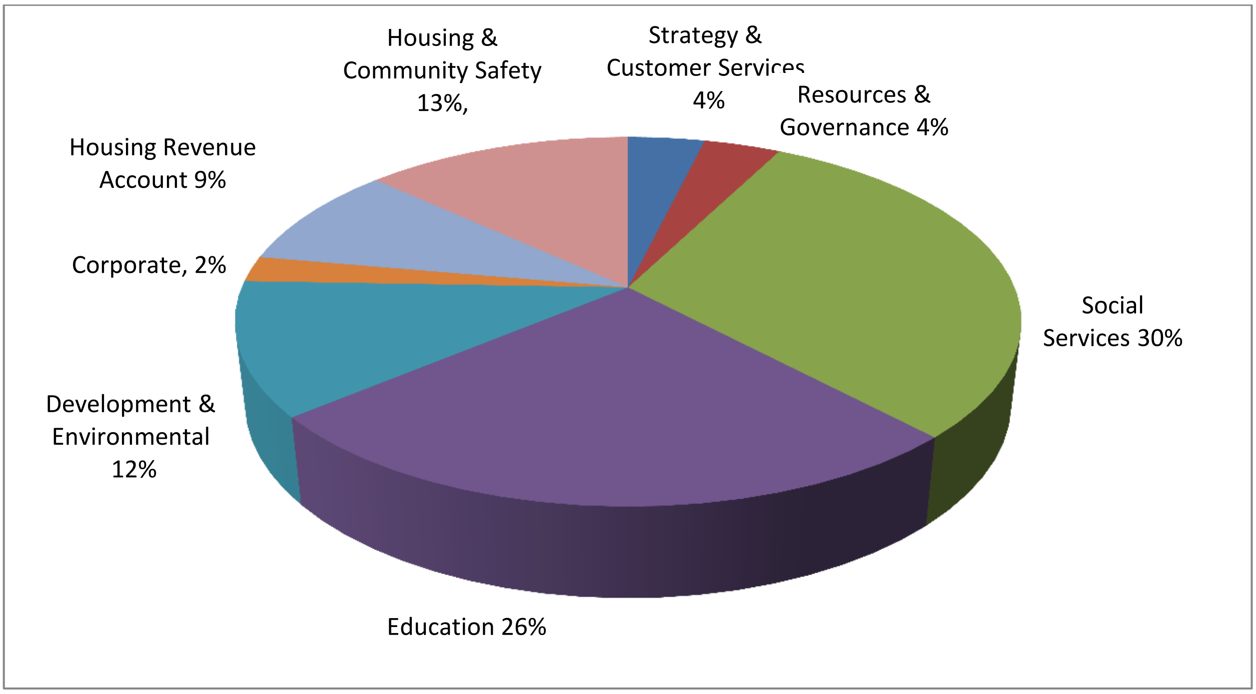
Proportion and source of income received in 2017/18



Council Revenue Expenditure Summary

Proportion of 2017/18 Revenue Expenditure by Service
In 2017/18 the total operating expenses for service delivery was £196m (as detailed in Comprehensive Income and Expenditure statement on page 65). This level of expenditure indicates the significant size and complexity of the organisation.

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



The Management Structure

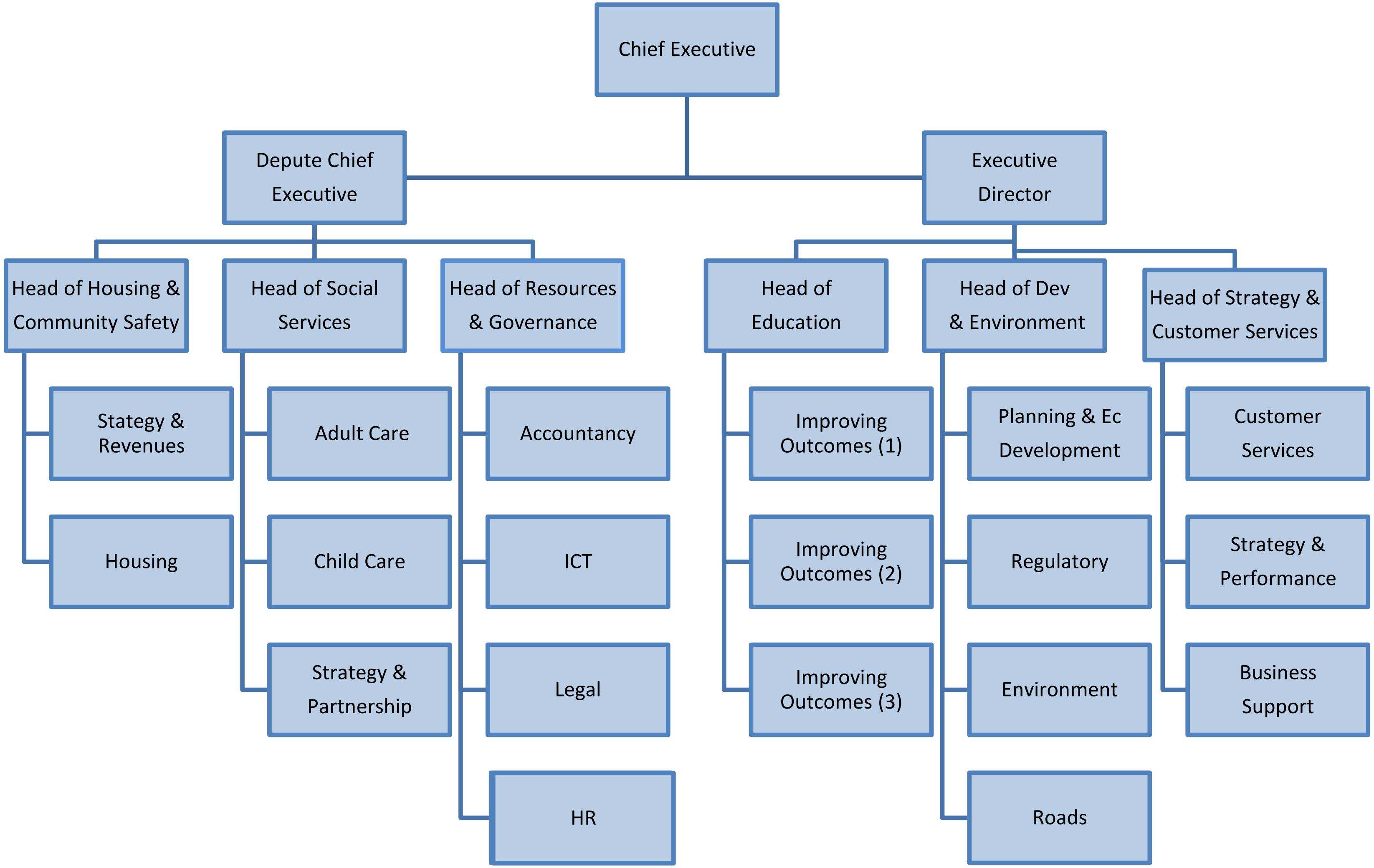
The following diagram shows the management structure in place during the year. The Health and Social Care Partnership Chief Officer also reports into the Chief Executive of the Council, as the post holder is the lead on the joint budget across the partnership. The structure of the Integrated Joint Board is not included below.

The restructure, planned in 2018/19, will change the operational reporting lines and significantly reduce the number of managers by late 2018.

Further description of the future model is provided in the section on Strategic Organisation Redesign below.

Management Structure

The Council's 2017/18 Management Structure is set out below.



Council Reserves

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

2017/18 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
As at 1 April 2017	(10,126)	(1,973)	(2,115)	(1,261)	(622)	**(16,097)**
Comprehensive Income & Expenditure	(371)	1,331	-	-	-	**960**
Adjustments between funding & accounting basis	917	(1,917)	(1,089)	-	(2,776)	**(4,865)**
Transfers	(133)	-	146	(13)	-	**-**
As at 31 March 2018	**(9,713)**	**(2,559)**	**(3,058)**	**(1,274)**	**(3,398)**	**(20,002)**

A comprehensive analysis of the Council's reserves is provided in the Movements in Reserves Statement on page 66 and supporting notes. It will be noted that total usable reserves have increased to £20.m (2016/17 £16.1m) at 31 March 2018.

The General Fund has decreased to £9.7m (2016/17: £10.1m). Of these usable reserves, £5.9m is earmarked for specific purposes, either by individual services or to meet corporate liabilities. The committed balance can be summarised as follows:

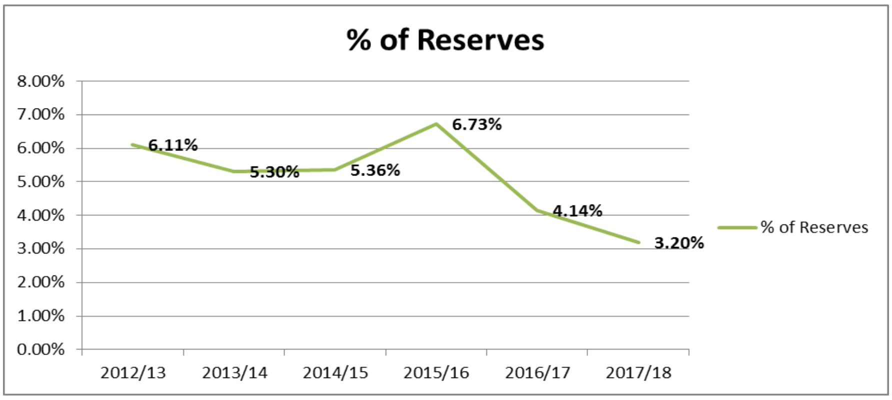
Committed (Earmarked) reserves

	2017/18
	£'m
Devolved School Management	(0.3)
Organisational Change Fund	(0.4)
Employment Fund	(1.9)
City Deal	(0.1)
Sum approved in support of 2018/19 Budget	(1.0)
PEF Funding	(0.7)
Other	(1.5)
Net Committed Reserves	**(5.9)**

The uncommitted element of General Fund Reserve at 31 March 2018 which is generally available to support future expenditure, stood at £(3.8)m (£(4.9)m 2016/17). 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 3.2% (4.1% 2016/17).

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

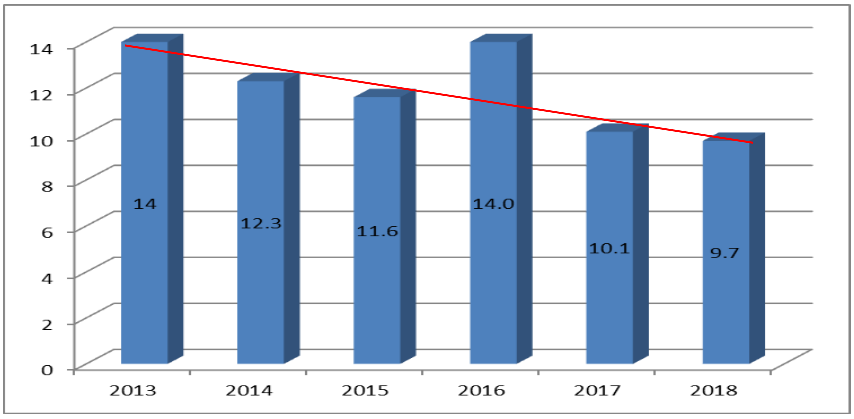
Trend in reserves position 2013/14-2017/18



Total useable reserves

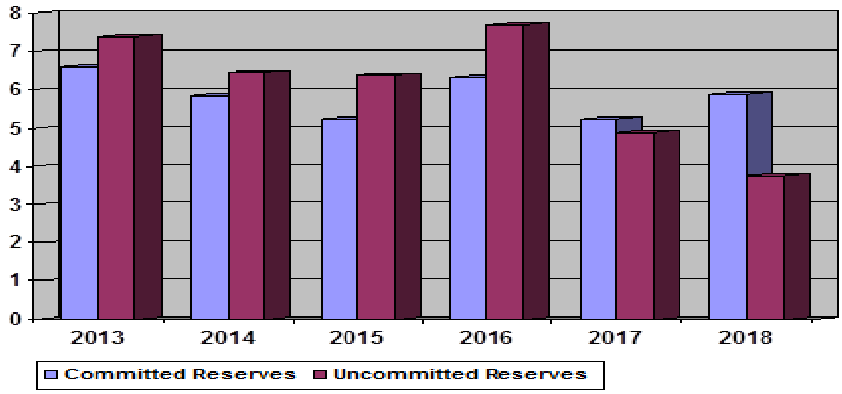
The total reserves have fallen between 2013 and 2018 by £4.3m or 30.7%, reflecting the ongoing cost pressures and reduced funding faced by the Council.

£ m's



The General Fund reserve is split between uncommitted and earmarked reserves (those used for specific projects). A number of projects did not complete in 2017/18 and the funding has been carried forward in to 2018/19, resulting in higher earmarked reserves at the year end:

£'ms



During the year, the Council forecast a corporate underspend. This corporate position, however, masks the variation at individual service level, notably Social Services which reported a significant underspend during the year and the Integrated Joint Board which reported a £1.2m overspend on its £15.4m budget. Work was undertaken to improve on the position, however it was still overspent at the year end, with a final outturn of £15.6m. The partners contributed additional funding, based on the risk sharing agreement in place for the year, to cover the short fall. Clackmannanshire's risk share was £0.289m (25%).

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.

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	Notes	2017/18	2016/17
Reserves			
Uncommitted General Fund Reserve proportion of Net Expenditure	1	3.20%	4.44%
Movement in the Uncommitted General Fund Balance	2	(21.81)%	(36.42)%
Council Tax			
In-year collection rate	3	96.14%	95.85%
Ratio of Council Tax Income to Overall Level of Funding	4	16.81%	15.76%
Actual Outturn compared to Budgeted Expenditure	5	95.20%	99.01%
Actual contribution to/from Unallocated General Fund Balance compared to Budget.		8.3%	99.06%
Debt/Long-term Borrowing			
Capital Financing Requirement (CFR) for the current year	6	£144.4m	£147.0m
External Debt Levels for the current year		£143.3m	£146.2m
Ratio of financing costs to net revenue stream	7	8.39%	8.12%
Impact of Capital Investment on Council Tax		Nil	Nil

1 *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.*

2 *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.*

3 *Reflects the Council's effectiveness in collecting Council Tax debt and financial management. This 0.29% increase means that the Council has reached the highest in-year collection rate to date. This is a result of better focus in recovery processes, It system improvements and continuing to work closely with the Sheriff Officers. It will strive to ensure that the collection rate remains at this high level.*

4 *Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control.*

5 *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.*

6 *External debt levels are lower than the CFR and debt has reduced in the year in line with the Council's Treasury Management Strategy.*

7 *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.*

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 2017/18 on General Fund Services (including operational Common Good properties) was £11.4m and on Housing was £6.4m.

Expenditure	£'m	Financed by	£'m
Property Asset Management Strategy	8.0	Government grant & contributions	7.2
Roads Asset Management Strategy	2.3	Capital receipts	0.4
Housing Business Plan	6.4	Capital financed from revenue	5.7
Fleet Asset Management Strategy	0.6	Borrowing	4.5
IT Asset Management Strategy	0.5		
	17.8		**17.8**
Capital programme underspend	**10.1**		
	27.9		

During 2017/18 the Council invested £17.8m, £17.6m of capital expenditure on its own assets and granted £0.2m to third parties including Common Good. There was an underspend of £4.7m on the budgeted programme. In the HRA the underspend was £5.4m with £1.8m for roof & render, £1.1m for kitchens, £1.5m for house purchases, house sales and healthy safe and secure projects. A number of smaller projects underspends totalled £1.0m.

In recent years the total capital budget has not been fully utilised with underspends ranging from 52% to 70% of the budget. In 2017/18 the underspend has improved to 36.2% (2016/17 52%) of the budgeted spending level, however, work continues to refine the capital planning process.

A Capital Strategy will be publish in 2018/19 setting out the priorities for the next 5-10 years, this should ensure that planning and spend are better aligned going forward.

Capital expenditure in the year has been financed by capital receipts (£0.4m), government grants and contributions (£7.2m) and direct revenue funding (£5.7m) leaving a balance of (£4.5m) required to be financed from borrowing. Principal repayments towards external borrowing of £7.1m were made in the year.

Capital Receipts & Grants

Receipts held in the capital receipts reserve total £3.1m. An amount of £3.4m 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 2018/19 budget and the continuation of the Council's Organisational redesign programme in the funding of the statutory element of voluntary severance.

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 £6.3m against a budgeted surplus of £5.1m. From this surplus a revenue contribution to capital of £5.7m was made in accordance with the Housing Business plan to achieve the Scottish Housing Quality Standard and enhanced Clackmannanshire Standard. (On an accounting basis, this is a surplus of £0.5m).

This has resulted in an increase of £0.6m to reserves at the year end, as shown in the movement in reserves statement. Working balances available to the Housing Revenue Account have therefore increased to £2.6m as at 31 March 2018. This balance will continue to be earmarked to support the delivery of the Housing Business Plan in line with the Council's approved strategy.

A further £6.1m was invested in the housing stock over the year. This builds on previous investment commitments and continues to sustain and consolidate the Council's position in terms of compliance with the Scottish Housing Quality standard and working to achieve the new Energy Efficiency Standard for Social Housing (EESSH) by the May 2020 deadline. Using the charter methodology for assessment of SHQS, the Council is currently 97.65% compliant.

Repairs policy change was made to carry out emergency repairs within eight hours. The average time taken to complete non-emergency repairs is now just over four days, and almost 98% of jobs are carried out "right first time". Satisfaction with the repairs service is high. Of the tenants who were asked about their views on the repair carried out in the year, 100% were satisfied.

Annual Risk Assessment 2017/18 – Scottish Housing Regulator
Each year the Scottish Housing Regulator (SHR) completes an annual risk assessment of the performance of all Scottish Social landlords. This confirms that the SHR does not intend to carry out any additional scrutiny of the housing service. However, the SHR did highlight that some areas of performance which will be taken forward in future plans.
During the year the collection rate declined to 97.83%, with the overall arrears figure increasing to 9.19%. The increase in arrears was to be expected given the experience of other areas and is attributed to the roll out of Universal Credit.

Revenues Service:

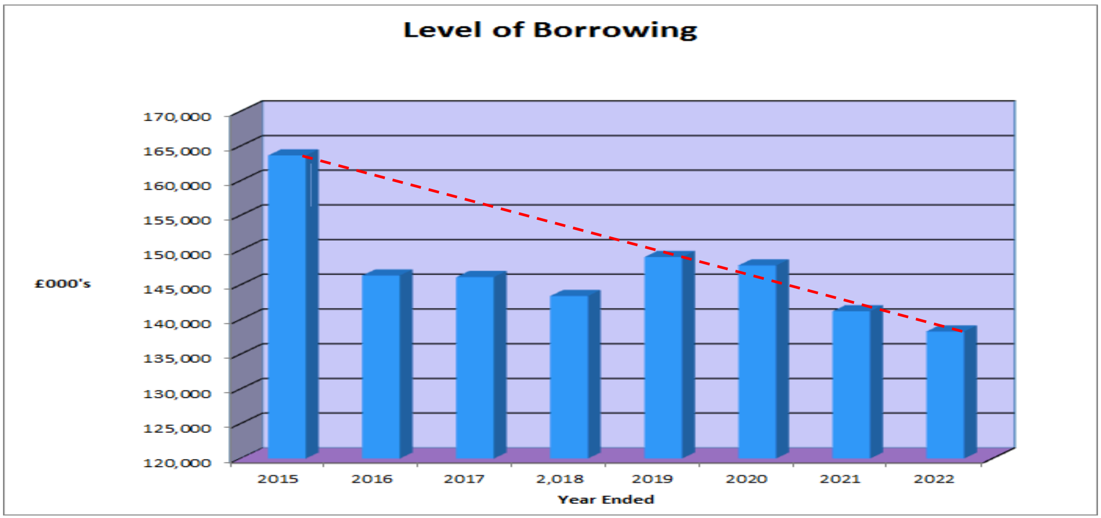
Council Tax

The rate of council tax collection continued to improve despite the introduction of Universal Credit and the anticipated decline in the take up of the council tax reduction scheme. The Year End Council Tax Collection rate for 2017/18 was 96.14%, a 0.29% increase on 2016/17. This represents another record collection in-year for the Council. The figure is now ahead of the 2017 national collection rate of 95.8%.

Debt

The Council's gross external debt as at March 2018 which supports its investment and development of long-term assets totals £143.3m consists of:

	2017/18 £'m
External Borrowing	102.0
PFI and other finance leases	41.3
	143.3



As shown above the projected level of debt show a downward trend in line with the strategy, except in 2019 and 2020, which are due to specific schools projects being developed. Repayments towards PFI and finance leases also continue to reduce the Council's overall level of external debt on an annual basis.

This is a decrease of £2.9m on the previous year's external debt position of £146.2m. This movement is made up of £1.3m additional borrowing undertaken to fund the capital programme, £3.1m repayments on borrowing were made to PFI and other Finance leases of £1.1m. The Council continues to work towards reducing the overall external debt in line with its policy set out in the Treasury Management Strategy.

In line with the Prudential Code and Treasury Management Strategy any borrowing undertaken is required to be prudent, affordable and sustainable. As at 31 March 2018 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 2017/18 set by Council on 27 March 2017 and the Annual Treasury Report 2017/18 agreed by Council on 28 June 2018.

External interest on this borrowing that was paid in the year amounted to £9.0m (2016/17 £9.1m).

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 2018 is £41.1m and this sum is included within the Council's overall borrowing position referred to above.

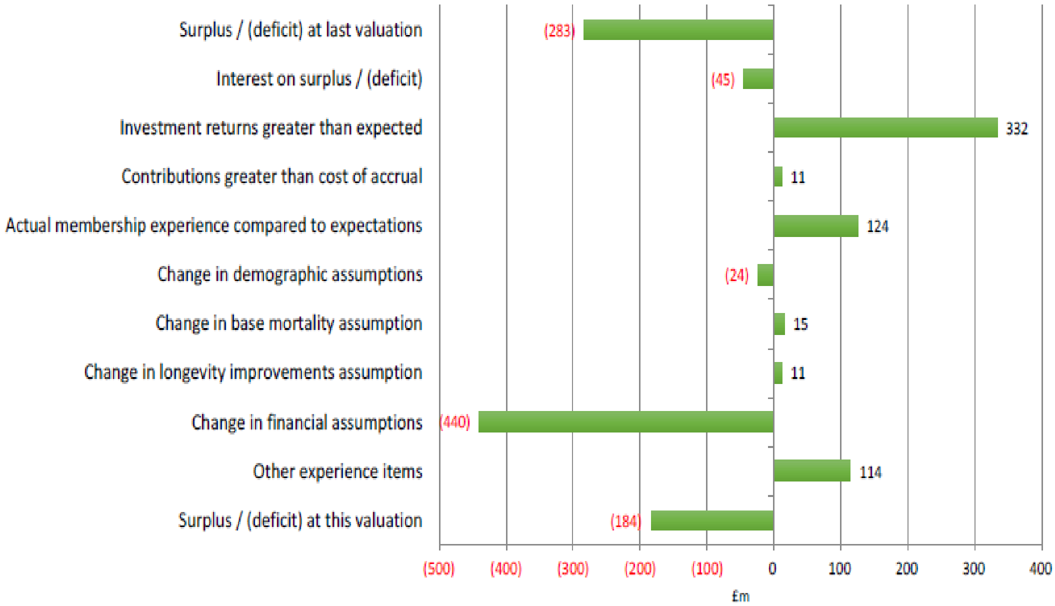
The unitary charge paid to the operator in 2017/18 was £7.4m (2016/17: £7.5m) and will increase annually by inflation over the 30 year term of the contract. The Scottish Government provided additional funding towards the project of £3.6m per annum.

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 2017/18 significant work was undertaken to resolve contractual interpretation matters in respect of the PPP scheme. This was concluded during 2017/18 and is no longer a contingent liability.

Net Pension Liability

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at 31 March 2018 disclosed a deficit of £95.5m (2016/17: £163.3m). The resultant gain on actuarial valuation of £84.4m has a significant impact on the Comprehensive Income and Expenditure Statement (CIES) and the Balance Sheet included in unusable reserves. 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 the financial year end. 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 planned annual stepped increases.



As shown above a number of things have contributed to the changes in the overall valuation of the Falkirk Council Pension Fund, over the last 3 years. The biggest two variables over the period, have been the fall in the discount rate from 5.1% to 3.5% (included in financial assumptions above) and the returns on investments being greater than expected. A reduction in the discount rate will increase the liability. Although this liability does not have an immediate impact, the Council will continue review trends, in 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. As at 31 March 2018, 6 provisions are included in the Financial Statements, see Note 21.

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 2017/18, 4 contingent liabilities are disclosed see Note 37. The Council has no material contingent assets at the Balance Sheet date.

Business Environment and Risks

A key economic variable during 2017/18 has been the ongoing impact of Brexit on the UK economy. However, it remains likely that uncertainty will continue to prevail until the deal is concluded.

In May 2018, the Bank of England reported inflation of 2.4% which is above the Government's 2% target. 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.

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, the pay freeze was lifted, putting increased pressures on the budget.

The Office for Budget responsibility (OBR) forecasts that:

- the UK economy has not grown as quickly as expected
- public finances have improved during 2017/18 but largely due to one-offs rather than fundamental reprioritisation
- The UK Government is not on target to hit a balanced budget by 2021/22.
- Scottish economic performance has been weaker when compared with the UK as a whole. In 2017, the Scottish economy grew by 0.8% compared with 1.3% in the UK as a whole. This in turn suggests a poorer short to medium term economic outlook for Scotland.

The next Scottish Budget will 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 2018 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; 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 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 impact many public sector contracts for the delivery of goods and services.

This must be considered alongside the prospect of raised expectations in respect of continuing wage inflation in 2018/19 and beyond, following pay negotiations reaching agreement at above the previously assumed 1% rate.

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.

Savings Plans

Over the last 3 years the Council has achieved £12.2m of savings, with an average 70.6% achievement rate, however achieving savings year on year has proved difficult. The new senior structure, which should be in place from September 2018, is the first step in moving towards a more streamlined staffing structure across the Council and is expected to make significant savings as the streamlining continues within the organisation.

The last budget scenario planning suggested that the cumulative gap in funding for 2019-2022 is in the region of £32m and so the savings and efficiency challenge is significant. Over the last 3 years the Council set a savings target of £17.3m and achieved 12.2m of these, however this averages as a 70% achievement rate year on year. In 2017/18 the Council achieved £4.8m (70.3%) of savings from the £6.8m plans put forward in the budget setting process. This is an improvement on 2016/17 performance, however there needs to be a greater focus on achievement going forward, as reserves are currently 0.2% above minimum after earmarking £1m to support the 2018/19 financial position.

Although the financial position is difficult, the management team believe that the implementation of the new structure, along with more robust budget development in 2018/19, will ensure the Council remains a going concern.

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, Stirling Council and NHS Forth Valley is in place and continues 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 key partners and stakeholders.

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 the 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. The Chancellor confirmed in the 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 develop proposals to unlock investment and secure transformational growth in the regional economy. Tripartite discussions and workshops between the Councils and both Governments commenced in May and focussed 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 and 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, the 'Heads of Terms' was agreed in June 2018.

Corporate Redesign

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 a cumulative £32m will be required. The LOIP and emerging Corporate Plan provide a helpful focus in terms of the policy priorities for the Council whilst recognising the existing and forecast financial pressures.

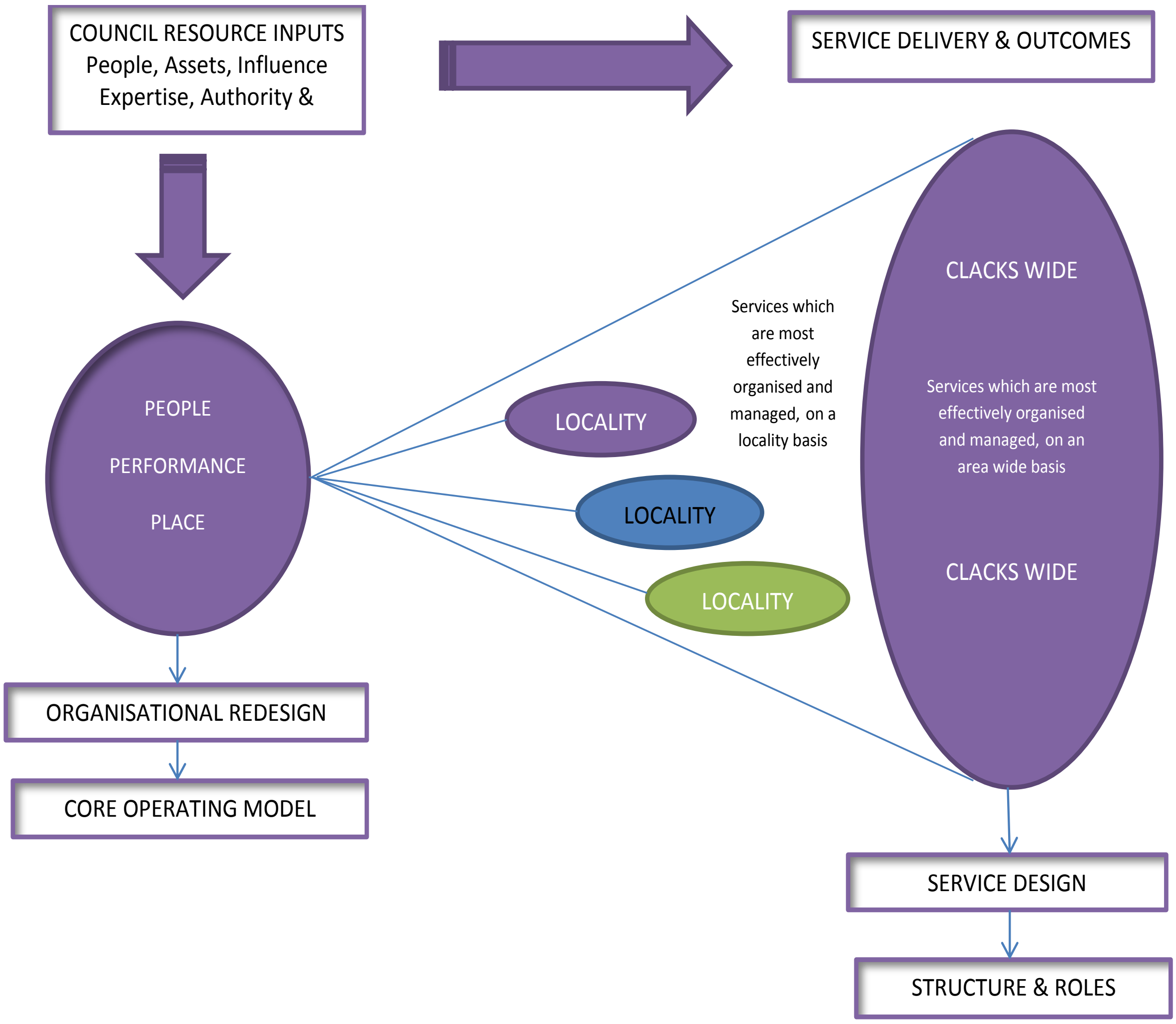
The scale of the financial challenge requires a fundamental review of aspects of Council service delivery to maintain financial stability. The Council continues to develop its longer term financial planning arrangements, which will support the identification of key longer term financial risks and appropriate 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.

Strategic Organisation

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

The Council has agreed that the redesign needs to:

- develop a more customer centric approach
- promote system-wide and collective achievement of outcomes
- remove silo working
- better co-ordinate activities
- promote problem-solving as part of service provision
- pool staff resources to address challenges
- develop organisational leaders.



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

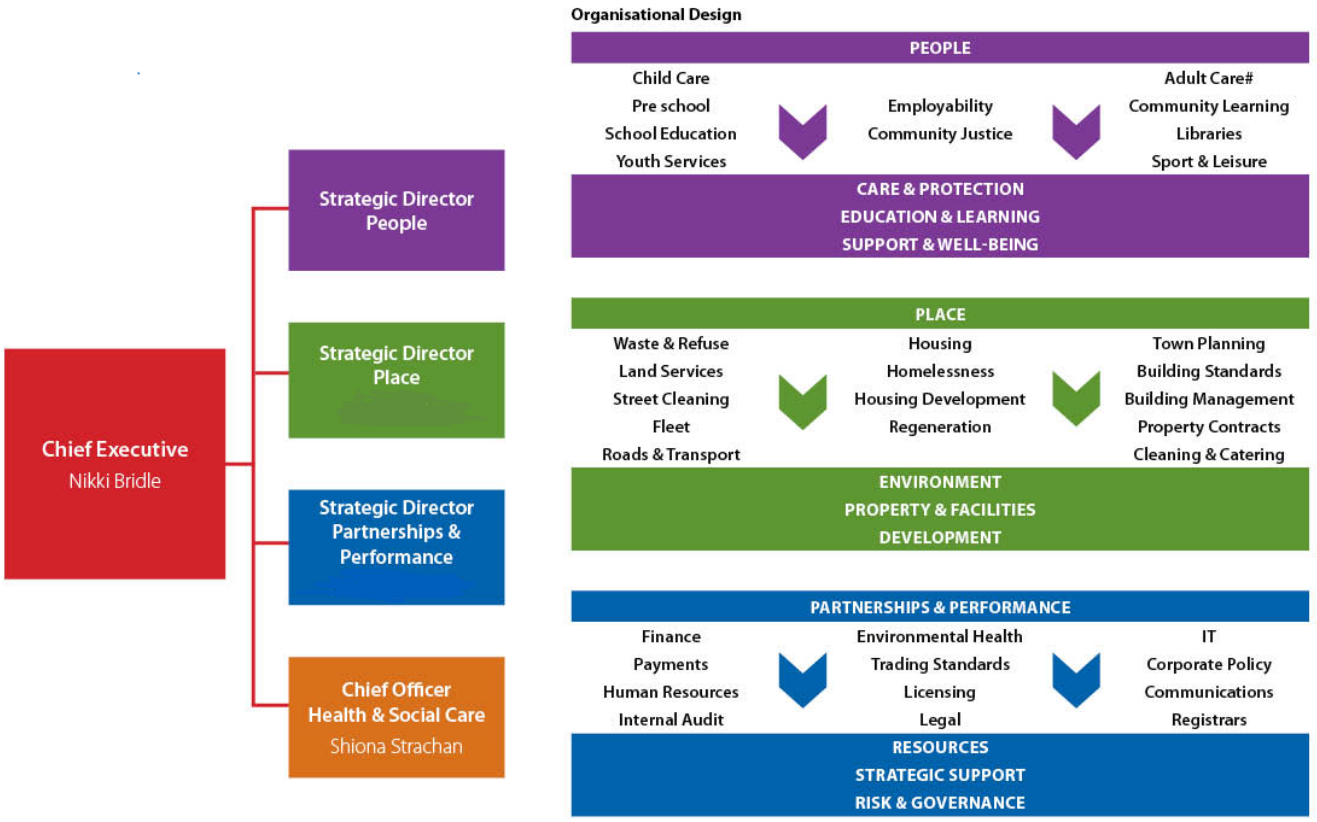
- focus on clear priorities and target resources to greatest effect;
- transform services so that they best meet user needs, which may mean having different models of delivery and doing things in different ways; and
- be as efficient and effective as possible in everything it does.

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

Partnerships & Performance refers to services which are directly and primarily focused on supporting the Council to deliver its people and place priorities (e.g. legal, finance, HR).



While Adult Care is the responsibility of the Integration Joint Board, the Council retains a role via resource transfer, the role of the Chief Social Work officer and membership of the IJB.

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).

Flowing from this general overall design is a proposed core operating model and associated organisational roles.The underpinning assumptions of this core operating model for roles and structures are:

- more integration in redesigned roles at all levels
- more generic working where appropriate across all People, Place and Corporate services
- clearer managerial focus on outcomes and performance across integrated services
- increased performance oversight generally.

Where to find more Information

An explanation of the Financial Statements which follow and their purpose are 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 continued 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. The Council progressed 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 continuing embedding of the Health and Social Care Partnership.

The Council would like to acknowledge the significant effort in producing the Annual Accounts and the Annual Governance Statement and to record it's thanks to colleagues for their continued hard work and support. The Council 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 financial position disclosed by the 2017/18 Financial Statements.

Ellen Forson	**Paula Tovey**	**Nikki Bridle**
Leader of the Council	**Chief Accountant (interim)**	**Chief Executive**
27 September 2018	**27 September 2018**	**27 September 2018**

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 Chief Accountant;

- 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 at an appropriately convened Audit Committee.

I confirm that the annual accounts were approved for signature by Council at its Audit Committee meeting on 27 September 2018.

Signed on behalf of Clackmannanshire Council

Councillor Forson
Leader of Clackmannanshire Council
27 September 2018

Statement of Responsibilities

The Chief Accountant's Responsibilities

The Chief Accountant 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 Chief Accountant has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- compiled with the local authority Accounting Code (in so far as it is compatible with legislation).

The Chief Accountant 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 2018.

Paula Tovey
Chief Accountant (interim)
27 September 2018

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.

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 Local Code of Governance.

This Statement explains how the Council has complied with its Local Code and meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, 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, objectives and outcomes 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.

The Council's Local Code of Governance

A new Local Code of Governance was approved at the meeting of Council on 8th February 2018 having been revised in line with CIPFA's 2016 publications Delivering Good Governance in Local Government and Delivering Good Governance in Local Government: Guidance Notes for Scottish Authorities.

The Code provides clear criteria against which the Council can report progress and monitor how well the Council is doing. It ensures that Heads of Service are fully accountable for governance within their services, via a revised statement of assurance process, based on the Scottish Public Finance Manual.

The Council's local code comprises the 7 components of the international framework tailored to local circumstances to be relevant to elected members, officers of the Council and members of the public. These components are:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimize the achievement of intended outcomes
- Developing the Council's capacity including that of its leadership and staff
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

The local code explains how the Council is managing, or is aiming to manage, its governance framework to align with each of the component parts and the actions required to continuously improve its governance.

The Council designated the Legal and Democratic 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 the 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 Service Managers and Team Leaders 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 for this year a new Internal Control Checklist was introduced based on the model in the Scottish Public Finance Manual and drawing on the themes in the Local Code of Governance. Heads of Service were invited to comment and provide assurance on key questions relating to the internal controls that they had in place in the following areas:

- Risk Management
- Project management
- Financial management
- Procurement
- Equality & diversity
- Health & safety
- compliance
- Business planning
- Communication & engagement
- Fraud
- Human resources
- Information management
- Partnership arrangements

Within the reviews of assurance, Heads of Service demonstrate that they have systems and processes in place that 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.

The process will continue to evolve based on good practice and feedback from those involved in the process.

Although business plan actions related to good governance are captured and reported through Pentana to relevant committees, a more specific plan and report will be developed on governance improvement actions, that will be reported at least quarterly to the Audit Committee.

Review of Effectiveness

The Council, in conjunction with its partners, published its Local Outcome Improvement Plan (LOIP) which builds on the successes of the previous Single Outcome Agreement for Clackmannanshire 2013/23. The LOIP has been developed to bring about a significant impact on improving outcomes and reducing inequality and disadvantage in line with the Community Empowerment (Scotland) Act 2015. A consultative process involving workshops and user engagement with community and partner representatives was undertaken and a strategy and vision for Clackmannanshire developed using a robust evidence base provided by extensive research and analysis of the Council's poverty assessment and Economic Baseline.

The LOIP outlines how the Council will work with its partners based on 7 key principles, which includes: "strong partnership leadership, governance and accountability". A shared vision: "Working together for a better quality of life and equal opportunity for all" has been agreed which is supported by 4 strategic outcomes:

1. Clackmannanshire will be attractive to businesses and people and ensure fair opportunities for all
2. Our families, children and young people will have the best possible start in life
3. Women and girls will be confident and aspirational and achieve their full potential
4. Our communities will be resilient and empowered so that they can thrive and flourish

A performance framework has been developed that will measure progress against each outcome. In addition three local priorities were identified that are also supported by action plans. These local priorities are:

1. Improving outcomes for children and young people living in poverty
2. Improving outcomes for Alloa South and East
3. Improving outcomes for women and girls

The joint working approach leading to the development and publication of the LOIP, the development of fewer strategic outcomes and the identification of local priorities, was a major achievement for the Council and its partners. Progress will be more easily measured, resources better targeted and a common sense of ownership will be fostered. The LOIP demonstrates a new approach to partnership working, transparency and accountability in improving community outcomes.

Following the Local Authority elections in May 2017, work has been taken forward to produce a new corporate plan. The plan will align with the LOIP outcomes but will also reflect the financial and organisational challenges that the

Council has including the need for internal restructuring and the a focus on alternative delivery models

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:

- Local Code of Governance
- Budget strategy
- Information strategy
- Financial Strategy
- Risk Management Strategy
- Interim Workforce Strategy
- Customer service strategy
- ICT Strategy
- Human resources

The assurance process demonstrated that risk registers are in place within services and they are being reviewed on a regular basis. Regular reports on key corporate risks, the related actions and mitigations are presented to elected members via the Council's committee structure. This includes presentation of the corporate risk register. The current Risk Strategy will expire during 2018 and work will be taken forward to redevelop the Council's strategic approach to risk, including a greater rigour in managing the mitigating actions and the link between delivering corporate outcomes and the risks to them.

This was the first full year of the consortium audit arrangements with Falkirk Council. The first year was considered to be a pilot year to ensure that the arrangements worked to the best advantage of both Local Authorities. A new Internal Audit Charter was agreed as part of the revisions to the Council's Finance Regulations. The Head of Internal Audit, as appointed by Falkirk Council, is designated Internal Audit Manager in Clackmannanshire and is designated as the Chief Internal Audit Executive to comply with PSIAS regulations.

The Council's external auditors, Audit Scotland, have been able to place reliance on the work of internal audit this year. A review of Internal Audit's work concluded that sound reporting arrangements are in place, complying with the main requirements of PSIAS.

The consortium audit arrangements have been approved by Council to continue for a further two years, with the option for a further year's extension.

Internal Audit's Plan for 2017/18 was agreed by Audit and Finance Committee on 16 March 2017 and proposed 16 main assignments. Over the course of the year, various changes were made to the programme of work, resulting in a total of 17 completed assignments.

Sufficient Internal Audit work was undertaken to support a balanced opinion on the overall adequacy of the Council's control environment. On the basis of work undertaken, Internal Audit provided substantial assurance in relation to the Council's arrangements for risk management, governance, and control for the year to 31 March 2018.

Only one audit into Payroll Changes and Management Information provided the lowest level of assurance "limited assurance". The scope of the audit was to evaluate and report on controls established to manage payroll related changes, including new appointments, leavers, and salary changes. The report acknowledged the work that has been ongoing to automate payroll processes and the substantial progress the team has made in the last year but weaknesses were still apparent in processes for:

1. Authorisation and validation of new starts, leavers and changes
2. Heads of Service verification of quarterly payroll reports
3. Administration and management of under and over payments

Internal Audit recommendations have been accepted and an action plan to be completed at the latest by March 2019 by the HR Service Manager and the Payroll and Systems Supervisor has been put in place.

A summary of work completed over the course of the year was reported to the Council's Audit and Finance Committee.

Internal Audit measures performance against the following Key Performance Indicators.

1. Complete 85% of main audit programme (100% completion)
2. Have 90% of recommendations accepted (100% completion)
3. Issue 75% of draft reports within 3 weeks of completion of fieldwork (100% completion)
4. Complete (to issue of final report) 75% of main audits within budget (82% completion)

The Council continues to realise the benefits provided to it by the investment in the new financial system. Financial processes as described in Finance Regulations are much more transparent, enabling greater levels of assurance about conformance. This includes for example the presentation of real time budget information, the separation of duties between requisitions and authorisers and scrutiny of contractual overspends. As the system becomes embedded, work will continue to take place with the supplier Technology One to exploit fully the potential in the system. An upgrade to the system will be taking place during 2018-19 which will improve procure to pay capabilities and increase mobile working options.

A procurement strategy has been developed following a public consultation and discussions with internal stakeholders. The report is being finalised and will be presented to Council during 2018/19. The Council is obligated under the Procurement Reform (Scotland) Act 2016 to have in place a strategy. Six key themes have been identified that aim to ensure value for money in the Council's procurement spend and to maximise opportunities for Clackmannanshire businesses to participate successfully in public procurement exercises and to improve opportunities and conditions for working people in the area.

The Council has undertaken major consultation and public engagement events throughout 2017/18. These included:

- consultation on the Local Outcome Improvement Plan 2017/27;
- Children's Services Plan 2017/2022; Community Justice Improvement Plan for 2018/2023;
- Corporate Budget Consultation for 2018/19;
- Health and Social Care Integration Budget Consultation 2018/19.

The Corporate Budget consultation was a major exercise comprising 4 town hall meetings, led by Chief Officers, as well as online and postal feedback channels. The Council maintains a consultation database Citizen Space and 86 consultations were undertaken. Arrangements are made to publish results from consultations or include references to them in the subsequent policy documents or Council papers. Further work is required to improve the use of equality impact assessments and ensuring the voice of equality groups is captured in consultations.

Significant Governance Issues

Restructuring

The Council has agreed to a change to the operational structure of the Council into three broad areas: People, Place and Performance. The structure aims to provide a more effective organisation of services and functions, with a more joined up approach, which will enable a better flow of communication the organisation. A new senior management team, including a new Chief Executive, is expected to be in place during the summer of 2018.

Each Service will report through to a Service committee and overall corporate oversight will be provided through a 4th committee to be chaired by an elected member who is independent of the administration. The new arrangements were agreed to by Council at its budget meeting in March 2018.

Precise arrangements for the management of particular functions and cross service processes will be developed once the Chief Officers are appointed. The arrangements will be supported by leadership training and a revised workforce plan.

Health and Safety

The Council has substantially revised its approach to Health and Safety following the recommendations in a report provided by the Council's insurers Gallacher Basset. Extra staff resources have been recruited and a Health and Safety Committee chaired by the Chief Executive, has been established that comprises service senior managers and trade Union safety representatives. A series of audits and walk-arounds has been undertaken by the H&S team, with Trade Unions, supported by the introduction of a number of new policy and guidance documents. The new information coming to light has resulted in heightened awareness of the risks of a health and safety non-compliance. The Council appeared in Alloa Sheriff Court in 2018 as a consequence of a serious health and safety non-compliance, leading to a serious staff injury in 2015. The Council pled guilty to the charges and was fined £8,000.

Best Value Audit

The Accounts Commission published its finding in response to the Controller of Audit's best value (BV) report in January 2018. The Accounts commission highlighted a number of key challenges including the cumulative savings of £29m required over the next 3 years from an annual revenue budget of £118m and the need for clear political leadership. In response the Council has published a Best Value action plan that demonstrates the action required to fulfil the 4 key recommendations of the Assurance report:

1. Councillors and officers should build on their constructive working relationships to provide the coherent, combined leadership necessary, to secure the Council's financial position.
2. The Council should consider savings options and decide how best to direct resources to priorities. It should work with communities to develop options and prepare for the difficult decisions it has to make.
3. The Council should further develop its working relationships with community planning partners to ensure their combined resource is directed towards the strategic local outcomes.

4. The Council should balance the drive for savings with the need for sufficient officer time and skills to support change. It should also consider how it could make more use of external assistance to support improvement.

Progress in completing the BV action plan will be regularly reported through to Council and/or the relevant Committee established under the Council's new governance structure on a quarterly basis.

Organisational Change

A local Government election took place in May 2017 leading to a change in the political balance of the Council and a number of new members being elected. A minority administration was formed. Training for new Councillors was undertaken, with a focus on the governance role of elected members and their personal responsibilities, as detailed in the Councillor's Code of Conduct.

A key element of the BV audit plan was the creation of a project management office to support change activity. The requirement for a new approach to change has become more of a priority since the announcement of City Deal funding, which the Council has been active in pursuing during 2017/18. The Heads of Terms announced in June 2018, will require a resource plan both internally and where required with partner organisations, notably Stirling Council and Stirling University. Plans will be brought forward in 2018/19 for Council approval in regard to both the structures and the dedicated staff resources that the Council now needs to manage organisational change and City Deal projects successfully.

Serious and Organised Crime, Fraud and Corruption

The Council operates a Corporate Risk and Integrity forum, comprising senior officers from all services. One of its key roles is to manage the high level statement of readiness in relation to the risks posed by Serious Organised Crime and Corruption. This allows the Chief Executive to make a high level but balanced assessment of those risks. The assessment is supported by an action plan. The check list and plan considers three key areas:

- Governance and Strategy
- Operational Control
- Insider threat

The main actions that the Council needs to follow through on are to update policies in regard to fraud and whistleblowing, maintaining training and awareness raising both internally and externally amongst local businesses and partners and ensuring appropriate controls are in place for information systems and data sharing.

The Council takes part in the biennial National Fraud Initiative process, which is overseen in Scotland by Audit Scotland. Due to staff changes and the move to a consortium audit arrangement, the Council did not investigate data matches that flowed from the 2016 exercise promptly. A recovery plan was put in place and progress reported to the Audit and Finance Committee in November 2017. All high priority matches were investigated and action competed by February 2018. The Council is committed to improving its approaches to fraud and with the changing structure to the Council revised roles and responsibilities, will include a more explicit focus on the creation of distinct roles focussing on fraud prevention and recovery.

Corporate Support

The proposed changes taking place in the Council will be accompanied by a renewed programme of leadership and management skills development. There are a range of corporate functions managed at a strategic level in the centre but policy implementation is a challenge in Services.

People

The management of staff particularly in regard to high absence levels has been noted and Heads of Service are focussed on understanding the causes and implementing robustly the Council's policies on managing attendance. New policies in regard to attendance management were introduced this year, a new Occupational Health Contract was put in place and better use of the HR system in iTrent are all measures' that are improving the Council's approach and improving the integrity of data supporting absence management. Regular reports on absence are made to the Council's tripartite group of elected members, management and Trade Unions.

Procurement

Eleven exceptions to Contract Standing Orders were agreed by the Head of Resources and Governance, which will be reported on further, in the 2017/18 Annual Procurement Report which will be presented to Council during 2018. The exceptions were agreed as they concerned health and social care, which require special consideration because the quality or availability of these services can have a significant impact on the quality of life and health of people who might use these services, as well as their carers. Also, services are becoming increasingly personalised to better meet people's needs which, in turn, has implications for how support is planned and purchased.

Work undertaken within the service and by the IJB itself had identified that models of contracting required to be updated. A new procurement strategy has been drafted for agreement by Council which will be followed by a revision of Contract Standing Orders. The Council aims to maximise its spend in the local area and to utilise fully the capabilities of its technology investments to both improve governance and simplify the internal procedures, to make it more straightforward for staff to manage contracts and undertake procurement exercises.

Specific challenges have emerged in regard to the management of Pupil Equity Funding (PEF) provided directly to schools by the Scottish Government. Resources have been allocated to ensure that the outcomes from PEF are captured and that aggregated spending and individual schools expenditure continues to comply with the Council's contract standing orders.

Information Management and GDPR

The Council's Records Management Plan was approved by the Keeper and Work is ongoing to keep improving approaches to information management and record keeping. The structures and processes developed to develop the records management plan formed the basis of the Council's approach to the implementation of the General Data Protection Regulations (GDPR), which came into force on the 25th May. The Records Management Working Group extended its remit to oversee council-wide preparedness for GDPR implementation. Information audits were carried out and assessments made on the circumstances where the Council is required to obtain data subjects' consent to process their data and where privacy notices are required.

A new Data Privacy Impact Assessment tool was introduced. Work will continue to ensure that the Council's approaches to privacy, data security and data sharing, are fully compliant and that individuals, about whom the Council hold data, have their rights fully respected. The Head of Resources and Governance has taken on the role of Data Protection Officer (DPO) pending a decision about the wider re-structuring in the Council and the formal appointment of an officer to that role, in line with a revised Scheme of Delegation. Officers in the Legal and Democratic Services team will support the DPO and have undertaken appropriate training.

There were two data breach incidents that were reported to the ICO. Neither incident affected a significant amount of people and following investigation it was found that the data breaches were not due to systemic issues in the Council's processes or in the Council's data security infrastructure. Corrective action and lessons learned were undertaken by the two Services concerned. In respect of the first instance the ICO made two recommendations which the Council has implemented but otherwise they considered the matter closed. The second incident took place in March and a report was submitted in early April. The decision of the ICO is awaited. The incidents and the lessons learned have formed the basis of the Council's policy on reporting data breaches.

Partnership Working

The Council works collaboratively with NHS Forth Valley and Stirling Council to support the Integrated Joint Board (IJB), which oversees the Health and Social Care Partnership. Specific corporate support is provided to the IJB in particular legal, finance, HR and IT services. The management of the partnership's budget has been considered by the IJB itself as well as the Council in both Committee and full Council meetings. The governance arrangements of the IJB continue to mature. Clackmannanshire passed over full responsibility for the operational management of adult social care and mental health services during 2017/18. Stirling Council and NHS Forth Valley are expected to do so during 2018.

The Council is working with other Education authorities in the Forth Valley and West Lothian Regional Improvement Collaborative. A joint work plan is being developed with potential outcomes emerging and is expected to be more fully progressed during 2018

The Community Empowerment Act and work that continues with partners in the Clackmannanshire Alliance, places 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 was completed on the development of 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.

The Council has in place partnership arrangements with other public bodies, for the delivery of schools transport, trading standards, stray dogs, roads, street lighting, internal audit and the Council provide corporate services to Central Scotland Assessors. Work has been progressing to ensure that the governance arrangements are appropriate and comply with relevant legislation.

Governance Policies

A new Local Code of Governance and revised Finance Regulations were agreed by Council. This is in addition to the agreement of a number of new HR policies that were agreed by Council and were developed in partnership with Trade Union representatives. The most significant of which were Capability, Disciplinary and Maximising Attendance. Once the Council's plans for restructuring are implemented during 2018, a revised scheme of delegation and a review of Standing Orders will need to be undertaken.

Statement of Assurance

The review of the effectiveness of the system of internal control and the overall governance framework is reviewed by Audit Scotland for compliance with statutory guidance and 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 us with substantial assurance for the year 2017/18 and an Internal Audit plan is in place for 2018/19, 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 us with assurance that the internal controls and governance arrangements within their areas of responsibility are effective and have been reviewed.

We have been advised by the S95 Officer that the financial arrangements in place conform to 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 Pentana system.

We have been advised of the outcome of the review of the effectiveness of the governance arrangements and are satisfied that the arrangements continue to be regarded as fit for purpose, in accordance with the governance framework. Business Improvement plans relating to governance, along with actions logged on the Council's performance management system (Pentana), is in place. This will address identified weaknesses at both Service and Corporate level, which will ensure that adequate and appropriate systems and processes are put in place to improve the effectiveness of our governance arrangements.

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

- Pace of and support of organisational change;
- Staff reductions and loss of capacity and capability leading to non-compliance with Council policy and statutory requirements ;

- Progress towards a sustainable financial position and the meeting of immediate budget challenges;
- Information management including compliance with the requirements of GDPR;
- 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;
- Change management arrangements including project planning and planning for City Deal
- Implementation of the action plan identified following the Internal Audit report into Payroll Changes and Management Information
- Risk management arrangements particularly managing the risk created by health and safety non-compliance.
- Specific actions identified in this AGS and previous years' AGS will be reviewed, captured on Pentana and progress reported to the Audit Committee

Nikki Bridle	**Councillor Forson**
Chief Executive	**Leader of the Council**
27 September 2018	**27 September 2018**

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 to ensure they are consistent with the financial statements. The results presented in the eight tables comprising the Clackmannanshire Council's Remuneration Report for 2017/18 reflect the following contextual factors:

- Pay increase of 1% effective from 1 April 2017 was awarded to Councillors and senior employees who earned over £35,000 and a flat rate increase of £350 per annum for employees paid up to £35,000 (based on a 37 hour week – this will be pro rate to 35 hours for Councils operating a 35 hour week);
- There was an election in May 2017 with the administration continuing in office on the 1st June 2017. The committee structure remained the same but with some new post holders.
- During 2017/18 there were several appointments to senior administration positions of the Council due to SNP forming a minority political administration;
- As at 31 March 2018 there were 7 Senior Councillors in post. The maximum allowed for Clackmannanshire Council is 8;
- The committee structure is; Leader and Depute Leader of the Council, Provost and Depute Provost, Chair of the Regulatory Committee, Chair of the Planning Committee, Chair of the Scrutiny Committee, Chair of the Audit & Finance Committee, Chair of the Licensing Board, Spokesperson for Partnership & Third Sector, Spokesperson for Education, Spokesperson for Health & Social Work, Spokesperson for Environment & Housing.

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 2017/18 was £28,213 (2016/17: £28,157). The actual salary paid to the holders of the Leaders post during 2017/18 was £26,093 Leslie Sharp (2016/17: £4,832 Leslie Sharp and Robert McGill £19,939). 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 2017/18 amounts to £21,160 (2016/17: £21,118). The actual salary paid to the holders of the Civic Head post during 2017/18 was £17,634 Tina Murphy and £1,936 Gary Womersley (2016/17: Tina Murphy £2,330, Derek Stewart £14,953 and Gary Womersley £2,078).

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 £152,347 for 2017/18 (2016/17: £152,043). The total annual amount payable by the Council for remuneration to all its Senior Councillors shall not exceed £152,347.

The remuneration paid to Senior Councillors in 2017/18 covering the year 1st April 2017 to 31 March 2018 totalled £130,434 (2016/17: £141,895). This includes £2,724 paid to Councillor Holden (£2,426) and Councillor Earle (£298) for serving as Vice Convenor on the Valuation Joint Board (2016/17: £2,386). Also included are payments for serving on the Association of Public Service Excellence (APSE) for Councillor Sharp £4,317 (2016/17: Councillor Sharp £228 and Councillor Stalker £67). This amount is recoverable from this organisation. The net cost to Clackmannanshire Council in relation to Senior Councillors is £127,706 (2016/17; £139,508). This complies with current regulations.

Following the local election in May 2017 the SNP took up administration on 1 June 2017 and the Council appointed the following 7 Senior Councillor positions; Leader and Depute Leader of the Council, Provost and Depute Provost, and 4 Chairs of Committees and Chair of the Licensing Board. On the 28th June 2017 4 spokes persons for Services, were appointed with the reinstated role of Spokesperson for Partnership & Third Sector.

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 28 June 2017 the SNP administration revised the 10 Senior Councillor positions to 11 positions; Provost, Depute Provost, Leader, Depute Leader, 4 Spokespersons for Services and 4 Chairs of Committee’s and Chair of the Licensing Board.

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 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'.

Joint Boards

Two joint boards exist; The Valuation Joint Board, and Clackmannanshire and Stirling Integration Joint Board which was formed on 1 October 2015 and became fully operational on 1 April 2016. Falkirk Council were part of the Integrated Joint Board until 31 October 2016, when the agreement terminated.

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 £2,724 in 2017/18 (2016/17: £2,386).

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/149 sets the amount of salary for the Chief Executive of Clackmannanshire Council for the period 2016/17 to 2017/18. Senior employees do not receive any other benefits.

Disclosure of Remuneration for Relevant Persons

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

Remuneration Report

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

			Total Remuneration	
Post Holder	**Position**	**Dates**	**2017/18**	**2016/17**
			£	£
Robert McGill	Leader of The Council	from 2/6/16 to 23/2/17	-	4,832
Leslie Sharp	Leader of The Council	from 9/3/17 to 4/5/17, from 1/6/17	26,093	19,939
Derek Stewart	Provost	from 2/6/16 to 23/2/17	-	2,330
Gary Womersley	Provost	from 23/2/17 to 4/5/17	1,936	14,953
Tina Murphy	Provost	from 1/6/17	17,634	2,078
Total Leader and Provost			**45,663**	**44,132**
Leslie Sharp	Spokesperson for Health & Social Work Chair of Scrutiny Committee	from 9/3/17 to 4/5/17 from 2/6/16 to 23/2/17	- -	- 14,258
Tina Murphy	Spokesperson for Environment & Housing, & Depute Provost	from 9/3/17 to 4/5/17	1,743	1,164
Jim Stalker	Depute Provost	from 2/6/16 to 23/2/17	-	14,511
Irene Hamilton	Depute Provost	from 17/5/12 to 11/5/16	-	3,466
George Matchett	Spokesperson for Education	from 2/6/16 to 23/2/17	-	13,457
Ellen Forson	Spokesperson for Education Spokesperson for Health & Social Work Depute Leader of the Council	from 9/3/17 to 4/5/17 from 28/6/17 From 9/11/17	16,229	3,262
Graham Watt	Chair of Scrutiny Committee	from 9/3/17 to 4/5/17	1,742	14,622
Kathleen Martin	Spokesperson for Environment & Housing	from 2/6/16 to 23/2/17	-	13,457
Donald Balsillie	Depute Leader of the Council Depute Provost & Chair of Planning Committee	from 9/3/17 to 4/5/17 from 1/6/17	17,611	3,261 -
Janet Cadenhead	Chair of Audit & Finance Committee	from 2/6/16 to 23/2/17	-	13,457
Archie Drummond	Chair of Audit & Finance Committee Depute Leader of the Council	from 9/3/17 to 4/5/17 and from 1/6/17 to 3/11/17 from 1/6/17 to 3/11/17	11,129	2,725 -
Alastair Campbell	Chair of Planning Committee	from 17/5/12 to 4/5/17	1,742	18,479
Walter McAdam	Chair of Licensing Board	from 14/6/12 to 4/5/17	1,792	19,005
Kenny Earle	Portfolio Holder for Partnership, Equality and Diversity Chair of Licensing Board	from 15/5/14 to 11/5/16 From 20/6/17	14,874	3,220
Craig Holden	Chair of Regulatory Committee Spokesperson for Environment & Housing	from 9/3/17 to 4/5/17 from 28/6/17	14,667	- 1,164
Dave Clark	Chair of Scrutiny Committee	from 1/6/17	15,869	-
Graham Lindsay	Chair of Regulatory Committee Spokesperson for Education	From 1/6/17 From 28/6/17	15,869	-
Phil Fairlie	Chair of Partnership & Third Sector Chair of Audit & Finance Committee	From 28/6/17 From 9/11/17	14,439	-
Sub Total Senior Councillors			**127,706**	**139,508**

Valuation Joint Board				
Craig Holden	Valuation Joint Board – Depute Convenor	from 7/9/12 to 23/6/16 and from 23/6/17	2,426	731
Kenny Earle	Valuation Joint Board – Depute Convenor	from 23/9/16 to 4/5/17	298	1,655
Sub Total Valuation Joint Board			**2,724**	**2,386**
Total Remuneration			**130,430**	**141,894**

Notes

- *There were no Taxable Expenses or Benefits other than in cash paid to any of the Senior Councillors in 2017/18 or 2016/17.*
- *There were mid-year appointments to senior positions. From 1 April to 4 May 2017 the Senior Councillors were; Les Sharp, Gary Womersley, Donald Balsillie, Tina Murphy, Walter McAdam, Craig Holden, Alastair Campbell, Ellen Forson, Graham Watt and Archie Drummond. From 1 June 2017 the Senior Councillors were; Les Sharp, Tina Murphy, Archie Drummond, Donald Balsillie, Graham Lindsay, and Dave Clark. On 20 June 2017 Kenneth Earle was appointed a Senior Councillor and from 28 June 2017 Ellen Forson, Craig Holden and Phil Fairlie were appointed Senior Councillors.*
- *Councillor Archie Drummond resigned from his senior positions of Depute Leader and Chair of Audit & Finance Committee on 3 November 2017. On 9 November 2017 Ellen Forson became Depute Council Leader and Phil Fairlie became Chair of Audit & Finance Committee. Archie Drummond resigned as a Councillor on 31 December 2017 and on 2 March 2018 Helen Lewis was elected to take Archie Drummond's seat.*
- *Where Councillors were Senior Councillors in 2017/18 but not in 2016/17 there is no remuneration figures shown for 2016/17 (Graham Lindsay, Dave Clark and Phil Fairlie.)*
- *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 2017/18 and 2016/17 figures.*
- *Payments to Senior Councillors are inclusive of additional payments made by the Council in respect of Members serving on Joint Boards. For 2017/18 the amount recharged to the Valuation Joint Board for additional payments was £2,724 (2016/17: £2,385). This amount is recovered from the Joint Board.*
- *Councillor Sharp's remuneration includes £4,317 (2016/17: £228 for serving on the Association of Public Service Excellence (APSE). This amount is recovered from the organisation.*
- *Councillor Sharp received £681 (2016/17: £2,218) and Councillor Forson received £5,612 (2016/17: Councillor Watt received £5,248) remuneration from NHS Forth Valley for serving on the regional Health Board during 2017/18. This is paid directly by the NHS to each individual and is 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	7
Councillors	9
Total Councillors	**18**

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:

Type of Remuneration	2017/18 £	2016/17 £
Salaries	335,463	329,808
Employer's NIC and Pension	84,800	74,304
Expenses	6,721	7,714
Total	**426,984**	**411,826**

Notes

1. *Total salaries remuneration shown in the above table is for all Councillors including Senior Councillors as detailed in Table 1.*
2. *The salaries figure above excluded £681 paid directly to Councillor Sharp and £5,612 paid directly to Councillor Forson in respect of service on NHS Forth Valley Health Board (2016/17: £5,248 to Councillor Watt and £2,218 to Councillor Sharp).*

The annual return of Councillors' salaries and expenses for 2017/18 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'.

Remuneration of Senior Employees of the Council

**For Clackmannanshire and Stirling Councils*

Name and Post Title	Total Remuneration 2017/18	Total Remuneration 2016/17
	£	£
Elaine McPherson Chief Executive	99,713	98,727
Returning Officer	4,195	5,375
Nikki Bridle Depute Chief Executive	89,835	88,945
Depute Returning Officer	755	1,000
Garry Dallas Executive Director	86,310	85,455
Stuart Crickmar Head of Strategy & Customer Services	70,434	69,736
Cecilia Gray Head of Social Services (from 3/10/16)	74,260	36,367
Val De Souza Head of Social Services (until 31/10/16)*	-	37,439
Anne Pearson Head of Education (from 13/6/16)	86,940	63,863
David Leng Head of Education (until 31/7/16)*	-	39,512
Ahsan Khan Head of Housing and Community Safety	64,490	64,062
Gordon McNeil Head of Development & Environ'l Serv (until 3/5/17)	6,437	69,736
Stephen Coulter Head of Resources and Governance	70,434	69,736
Jim Robb Assistant Head of Social Services (from 25/4/16 to 2/7/17)*	17,867	65,259
Philip Gillespie – *Assistant Head of Social Services (until 24/4/16)	-	4,532
Liam Purdie – *Assistant Head of Social Services (until 22/5/16)	-	9,686
Shiona Strachan – *Health and Social Care Partnership Chief Officer	90,583	89,686
Jane Rough – Improving Outcomes Manager (from 22/8/16)	61,099	36,914
Lorraine Sanda – Improving Outcomes Manager (from 26/9/16)	61,099	31,087
Catherine Quinn – Improving Outcomes Manager (from 12 /9/16)	60,917	33,256
Total	**945,368**	**1,000,373**

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 2017 for Councillors and Senior Employees who earned over £35,000 and a flat rate increase of £350 per annum for employees paid up to £35,000 (based on a 37 hour week – this will be pro-rata to 35 hours for Councils operating a 35 hour week) is included in the 2017/18 figures.*
3. *The Chief Executive remuneration is in line with national agreement between Scottish Joint Negotiating Committee (SJNC) and Association of Local Authority Chief Executives (ALACE) which includes a 1% pay award for 2017/18 £102,554. The actual remuneration paid to the Chief Executive of £99,713 includes a voluntary reduction of 2.77% (£99,713 is £102,554 less 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 Local Government Election (4th May 2017) and the Clackmannanshire North By-Election (1st March 2018) were £4,195 for Returning Officer and £755 for Depute Returning Officer. For 2016/17 the Scottish Parliament Election (5 May 2016) and the EU Referendum (23 June 2016) payments were £5,375 and £1,000 respectively.*
6. *With effect from 1 April 2011, Clackmannanshire and Stirling Councils agreed to the joint delivery of Social Services and Education. Clackmannanshire Council became the lead authority for Social Services and Stirling Council became the lead authority for Education. This arrangement ended during 2016/17.*
7. *Total remuneration is for salaries, fees and allowances. There were £355 taxable expenses earned by a number of the employees in the above table relating to travel expenses. (N Bridle £44, G Dallas £58, S Coulter £47, L Sanda £145, A Pearson £45 and A Khan £16).*

8. *The table above doesn't include salary cost for senior staff not employed by the Council, i.e. Agency staff.*

General Disclosure by Pay Band

The number of employees, whose remuneration in the year was greater than or equal to £50,000 (grouped in rising bands of £5,000).

Remuneration Band	No of Employees 2017/18	No of Employees 2016/17
£50,000 - £54,999	39	40
£55,000 - £59,999	14	11
£60,000 - £64,999	8	5
£65,000 - £69,999	1	5
£70,000 - £74,999	3	1
£75,000 - £79,999	1	2
£80,000 - £84,999	-	-
£85,000 - £89,999	3	3
£90,000 - £94,999	1	-
£95,000 - £99,999	1	1
	71	**68**

Notes

1. *Annual increments and the 1% pay award have increased the number of employees falling into bands £55,000 - £59,999 and £90,000 - £94,999.*
2. *£60,000 - £64,999 has increased from 5 employees to 8 and £70,000 - £74,999 has increased from 1 employee to 3 as a result of new employees starting in year and full-year effect of appointments.*
3. *£65,000 - £69,999 has reduced from 5 employees to 1 due to leavers in year.*

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 classed as a defined benefit scheme.

From 1 April 2015 Councillors and local government employees have been 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:

Whole Time Pay		Contribution rate 2017/18 between %	Contribution rate 2016/17 between %
£0	£21,308	5.5	5.5
£21,309	£27,693	5.6 - 6.0	5.6 - 6.0
£27,694	£34,762	6.1 - 6.5	6.1 - 6.5
£34,763	£49,056	6.6 - 7.5	6.6 - 7.5
£49,057	£55,265	7.6 - 8.0	7.6 - 8.0
£55,266	£74,000	8.1 - 9.0	8.1 - 9.0
£74,001	£111,948	9.1 - 10	9.1 - 10
£111,949	And above	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.

The pension entitlements for Senior Councillors who have elected to join the pension scheme for the year ended 31 March 2018 are shown in the table below, together with the contribution made by the Council to each Senior Councillors' pension during the year.

Senior Councillors

Name and Post Title	Pension Contributions		Accrued Pension Benefits			
	2017/18	2016/17	As at 31/3/18		Difference to 2016/17	
			£'000	£'000	£'000	£'000
	£	£	Pension	Lump Sum	Pension	Lump Sum
Leslie Sharp	5,895	4,287	7	-	1	-
Leader of the Council from 9/3/17 to 4/5/17 and from 1/6/17						
Spokesperson for Health and Social Work (from 9/3/17 to 4/5/17)						
Chair of Scrutiny Committee (2/6/16 to 23/2/17)						
Robert McGill	-	5,266	-	-	-	-
Leader of the Council (from 2/6/16 to 23/2/17)						
Tina Murphy	4,446	3,688	5	2	1	-
Provost (from 1/6/17)						
Spokesperson for Environment & Housing (from 9/3/17 to 4/5/17)						

Irene Hamilton	-	3,604	-	-	-	-
Depute Provost (from 1/2/12 to 11/5/16)						
Jim Stalker	-	3,867	-	-	-	-
Depute Provost (from 2/6/16 to 23/2/17)						
Kathleen Martin	-	3,867	-	-	-	-
Spokesperson for Environment and Housing (from 2/6/16 to 23/2/17)						
Kenneth Earle	-	3,619	-	-	-	-
Portfolio Holder for Partnership, Equality & Diversity (from 15/5/14 to 11/5/16) Chair of Licensing Board (from 20/6/17)						
Ellen Forson	4,032	3,637	2	-	-	-
Spokesperson for Education (from 9/3/17 to 4/5/17))						
Spokesperson for Health & Social Work (from 28/6/17)						
Depute Leader of the Council (from 9/11/17)						
George Matchett	-	3,867	-	-	-	-
Spokesperson for Education (from 2/6/16 to 23/2/17)						
Donald Balsillie	4,066	3,637	4	1	1	-
Depute Leader of the Council (from 9/3/17 to 1/6/17)						
Depute Provost & Chair of Planning Committee (from 1/6/17)						
Graham Watt	385	3,900	**2**	-	-	-
Chair of Scrutiny Committee (from 9/3/17 to 4/5/17)						
Phil Fairlie	3,681	-	-	-	-	-
Spokesperson for Partnership & Third Sector (from 28/6/17)						
Chair of Audit & Finance Committee (from 9/11/17)						
Graham Lindsay	3,681	-	-	-	-	-
Chair of Regulatory Committee (from 1/6/17) Spokesperson for Education (from 28/6/17)						
Dave Clark	3,681	-	-	-	-	-
Chair of Scrutiny Committee (from 1/6/17)						
Gary Womersley	428	3,637	**3**	2	-	-
Provost (from 9/3/17 to 4/5/17)						
Total	**30,295**	**46,876**	**23**	**5**	**3**	-

1) 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.

Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2018 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	Pension Contributions		Accrued Pension Benefits			
	2017/18	2016/17	As at 31/3/2018		Difference to 2016/17	
	£	£	£'000	£'000	£'000	£'000
			Pension	Lump Sum	Pension	Lump Sum
Elaine McPherson Chief Executive	22,901	22,032	44	83	2	-
Nikki Bridle Depute Chief Executive	19,865	19,211	34	57	2	1
Garry Dallas Executive Director	19,085	18,457	43	84	3	-
Stuart Crickmar Head of Strategy & Customer Services	15,575	15,062	27	45	2	-
Anne Pearson *Head of Education, (from 13/6/16)	18,692	14,461	3	-	2	-
David Leng * Joint Head of Education (from 30/9/13 to 31/7/16)	-	7,393	-	-	-	-
Cecilia Gray *Head of Social Services, (from 3/10/16)	15,966	7,637	33	65	32	65
Val De Souza * Head of Social Services (until 31/10/16)	-	7,862	-	-	-	-
Gordon McNeil Head of Development and Environmental Services (from 3/6/14)	1,423	15,062	16	19	-	-
Stephen Coulter Head of Resources and Governance (from 24/9/14)	15,575	15,062	5	-	2	-
Ahsan Kahn Head of Housing and Community Safety (from 8/7/13)	14,559	13,870	6	-	1	-
Jim Robb * Asst Head of Social Services (from 25/4/16 to 2/7/17)	-	13,704	-	-	-	-
Philip Gillespie Asst Head of Social Services (from 5/14 to 24/4/16)	-	952	-	-	-	-
Liam Purdie Asst Head of Social Services (from 1/14 to 22/5/16)	-	2,034	-	-	-	-
Shiona Strachan * Health and Social Care Partnership Chief Officer	19,475	18,834	38	71	2	1
Jane Rough Improving Outcomes Manager (from 22/8/16)	13,136	7,752	35	74	2	1
Lorraine Sanda Improving Outcomes Manager (from 26/9/16)	13,136	6,528	2	-	1	-
Catherine Quinn Improving Outcomes Manager (from 12/9/16)	10,478	5,720	16	49	-	2
	199,866	**211,633**	**304**	**547**	**51**	**70**

**Clackmannanshire and Stirling Councils*

Notes

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.*

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 committing to the termination of employment of the offer to an officer or to a group of officers to encourage voluntary redundancy.

The Council agreed the voluntary termination of the contracts of 53 employees (2016/17: 49) through voluntary redundancy and voluntary severance during 2017/18, incurring liabilities of £1.291m (2016/17: £0.944m). There were a number of employees whose voluntary severance was approved during the 2017/18 financial year but who were not due to leave until the 2018/19 financial year. There were no such costs for 2016/17 as all employees who were due to leave by 31 March 2017 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; 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.

		Total Number of exit packages by Cost band		Total Cost of exit packages by Cost band	
				£	£
Salary Bands		**2017/18**	**2016/17**	**2017/18**	**2016/17**
£0	£20,000	30	33	277,580	300,986
£20,001	£40,000	18	10	481,730	255,708
£40,001	£60,000	2	4	91,675	203,563
£60,001	£80,000	-	-	-	-
£80,001	£100,000	2	2	180,030	183,929
£100,001	£250,000	-	-	-	-
£250,001	£300,000	1	-	260,000	-
Total		**53**	**49**	**1,291,015**	**944,186**

Paid Time-off provided to Trade Union Representatives

The undernoted information is provided in line with the requirements of the trade Union (Facility Time Publication Requirements) Regulations 2017 (SI 2017/328) introduced by the Trade Union Act 2016.

Relevant union officials

During the year 19 employees took part in union activities, as relevant union officials, some of whom were part time:

	2017/18
Number of employees	19
Full-time Equivalent	17.37

Facility time

The employees spent the following percentages of their time on facility time:

% of time	Employees
0%	2
1-50%	15
51-99%	1
100%	1

Of the total pay bill, £88k (0.11%) related to facility time under taken during the year.

	£'000
Facility time cost	88.4
Total pay bill	80,600
% of pay bill	0.11%

Paid trade union activities

The percentage of the total paid facility time that relates to relevant union officials was 3.39% (£2.9k)

Nikki Bridle
Chief Executive
27 September 2018

Councillor Forson
Leader of the Council
27 September 2018

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 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements and Balance Sheets, the council-only Cash Flow Statement, Housing Revenue Account, Council Tax Income Account, Non-Domestic Rates Income Account, the Common Good 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 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure 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 2017/18 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.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 Standard, 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.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Interim Chief Accountant has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Interim Chief Accountant and the Audit Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Interim Chief Accountant 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 Interim Chief Accountant determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Interim Chief Accountant is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Audit Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit 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) 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities.

This description forms part of my auditor's report.

Other information in the annual accounts

The Interim Chief Accountant is responsible for the other information in the annual accounts.

The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, 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, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited 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).

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 audited 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
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN
28 September 2018

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2017/18

Comprehensive Income & Expenditure Statement
For the year ended 31 March 2018

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated 2016/17 Gross Expenditure £'000	Restated 2016/17 Gross Income £'000	Restated 2016/17 Net Expenditure /(Income) £'000		Note	2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure /(Income) £'000
6,588	(662)	5,926	Strategy & Customer Services		7,394	(576)	6,818
22,348	(2,318)	20,030	Resources & Governance		7,402	(511)	6,891
-	(1,306)	(1,306)	Central Support		-	(1,012)	(1,012)
420	-	420	Executive Team		421	-	421
16,515	(4,562)	11,953	Development & Environment		22,863	(6,705)	16,158
45,225	(3,418)	41,807	Education Services		50,840	(4,222)	46,618
23,832	(22,108)	1,724	Housing & Community Safety		25,792	(19,709)	6,083
60,176	(30,329)	29,847	Social Services*		59,644	(29,039)	30,605
1,729	(491)	1,238	Corporate Services		3,603	(1,805)	1,798
17,261	(18,562)	(1,301)	Housing Revenue Account		17,714	(18,775)	(1,061)
321	-	321	Valuation Joint Board		381	-	381
194,415	**(83,756)**	**110,659**	**Cost of Services**		**196,054**	**(82,354)**	**113,700**
-	(173)	(173)	(Gain)/ loss on sale of Non current assets		958	-	958
12,931	(898)	12,033	Financing and Investment Income and Expenditure	9	14,556	(2,020)	12,536
-	(119,909)	(119,909)	Taxation and Non-Specific grant Income	10	-	(126,234)	(126,234)
207,346	**(204,736)**	**2,610**	**(Surplus) or Deficit on Provision of Services**		**211,568**	**(210,608)**	**960**
		(835)	(Surplus) or Deficit on revaluation of non-current assets	25			(103)
		48	Impairment (gain)/ loss on non-current asset to the revaluation reserve	25			169
		49,987	Actuarial (gains)/loss on pension assets/liabilities	36			(77,025)
		49,200	**Other Comprehensive (Income) and Expenditure**				**(76,959)**
		51,810	**Total Comprehensive (Income) and Expenditure**				**(75,999)**

**The gross income and gross expenditure shown above for Social Services includes £16.6m for services commissioned under the Clackmannanshire and Stirling Integration Joint Board.*

Movement in Reserves Statement
For the year ended 31st March 2018

2017/18	Notes	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 2017		**(10,126)**	**(1,973)**	**(2,115)**	**(1,261)**	**(622)**	**(16,097)**	**(48,188)**	**(64,285)**
Movement in Reserves during 2017/18									
Total Comprehensive Income and Expenditure		(371)	1,331	-	-	-	**960**	(76,959)	**(75,999)**
Adjustments between accounting basis & funding basis	7	917	(1,917)	(1,089)	-	(2,776)	**(4,865)**	4,865	**-**
Net increase/ decrease before transfers to Earmarked Reserves		**546**	**(586)**	**(1,089)**	**-**	**(2,776)**	**(3,905)**	**(72,093)**	**(75,999)**
Transfers to/from Earmarked Reserves	8	(133)	-	146	(13)	-	-	-	-
Increase or (decrease) in 2017/18		**413**	**(586)**	**(943)**	**(13)**	**(2,776)**	**(3,905)**	**(72,093)**	**(75,999)**
Balance at 31 March 2018 carried forward		**(9,713)**	**(2,559)**	**(3,058)**	**(1,274)**	**(3,398)**	**(20,002)**	**(120,281)**	**(140,284)**
2016/17									
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	(231)	-	-	-	2,610	49,200	51,810
Adjustments between accounting basis & funding basis	**7**	1,162	(1,032)	(115)	-	(293)	(278)	278	-
Net increase/ decrease before transfers to Earmarked Reserves		**4,003**	**(1,263)**	**(115)**	**-**	**(293)**	**(2,332)**	**49,478**	**51,810**
Transfers to/from Earmarked Reserves	**8**	(142)	-	148	(6)	-	-	-	-
Increase or (decrease) in 2016/17		**3,861**	**(1,263)**	**33**	**(6)**	**(293)**	**(2,332)**	**49,478**	**51,810**
Prior year adjustment		**-**	**-**	**-**	**-**	**-**	**-**	**292**	**292**
Balance at 31 March 2017 carried forward		**(10,126)**	**(1,973)**	**(2,115)**	**(1,261)**	**(622)**	**(16,097)**	**(48,188)**	**(64,285)**

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/ from earmarked reserves, undertaken by the Council.

Balance Sheet as at 31st March 2018

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’.

Restated 31 March 2017 £'000		**Note**	**31 March 2018 £'000**
352,590	Property, Plant & Equipment	11	353,861
835	Heritage Assets	12	835
5,125	Investment Properties	13	3,782
1,006	Intangible Assets	14	781
7,883	Long-Term Investments	15	9,265
2	Long-Term Debtors		1
367,441	**Non-Current Assets**		**368,525**
938	Investment Properties held for Sale	13	1,566
409	Assets held for Sale	16	400
459	Inventories	17	385
11,970	Short-Term Debtors	18	12,278
10,015	Short-Term Investments	19	10,001
9,814	Cash and Cash Equivalents	19	9,859
33,605	**Current Assets**		**34,489**
(25,117)	Short-Term Creditors	20	(21,193)
(295)	Provisions	21	(814)
(5,284)	Short-Term Borrowings	22	(7,307)
(30,696)	**Current Liabilities**		**(29,314)**
(23)	Provisions	21	(21)
(100,744)	Long-Term Borrowing	22	(96,883)
(205,298)	Other Long-Term Liabilities	23	(136,512)
(306,065)	**Long-Term Liabilities**		**(233,416)**
64,285	**Net Assets**		**140,284**
(16,097)	Usable Reserves		(20,003)
(48,188)	Unusable Reserves	25	(120,281)
(64,285)	**Total Reserves**		**(140,284)**

The audited financial statements were authorised for issue on 27 September 2018.

Paula Tovey
Chief Accountant (interim)
27 September 2018

Cash Flow Statement
For the year ended 31 March 2018

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.

Restated 2016/17 £'000		Notes	2017/18 £'000
(2,610)	Net (deficit) on the provision of services	CIES	(960)
31,145	Adjustments to net deficit on the provision of services for non-cash movements	26b	24,547
(8,526)	Adjustments for items included in the net deficit of the provision of services that are investing & financing activities	26c	(8,760)
20,009	**Net cash flows from Operating Activities**		**14,827**
(13,270)	Investing Activities	27	(20,364)
(590)	Financing Activities	28	5,582
6,149	**Net increase (decrease) in cash and cash equivalents**	19	**45**
3,665	Cash and Cash equivalents at the beginning of the reporting year	19	9,814
9,814	**Cash and Cash equivalents at the end of the reporting year**	19	**9,859**

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.

Notes to the Financial Statements

Note 1 - Accounting Policies

a) General Principles

The Annual Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 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;
- 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.

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 Benefit's 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.

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 a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

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

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

The assets of the Falkirk Pension Fund attributable to the Council are included in the Balance Sheet at their fair value at current bid prices for securities, estimated fair value for unquoted securities and market price for property.

The change in the net pension's 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.

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, 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.

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.

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 de-recognition 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.

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. Heritage assets are complex and difficult to value and 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.

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

Recognised in Balance Sheet at Valuation

- Art Collections
- Public Art statues, glassworks & mosaics
- Civic Regalia
- Museum Collections (including equipment & ephemera)

Not recognised in Balance Sheet

- War Memorials
- Listed Buildings

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

Heritage assets are not subject to depreciation.

k) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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.

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.

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).

The Council as Lessor

Finance Leases
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipts for the disposal of the asset is used to write down the lease debtor.

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

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

p) 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
The Council adopted IFRS13 - Fair Value Measurement, which provides a common definition of fair values, taking 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.

Non operational property, plant and equipment (i.e. surplus assets) require to be measured at the lower of cost and net realisable value.

Assets are initially measured at cost, comprising:

- the purchase price; and
- costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not lead to a variation in the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.
Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- surplus assets – lower of cost and net realisable value; and
- all other assets – fair value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

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

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

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

- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (up to 40 years);
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (i.e. up to 15 years);
- infrastructure – straight-line allocation over 60 years; and
- depreciation is not charged in year of purchase, but a full year charge is made in year of sale.

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

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

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

Disposals
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent

decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

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.

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.

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.

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 & 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.

Note 2 - Changes to Accounting Standards

Accounting Standards Adopted in the Year

- Amendments to IFRS 10 Consolidated Financial Statements,
- IFRS 12 Disclosure of Interests in Other Entities and
- IAS 28 Investments in Associates and Joint Ventures: Investment Entities – Applying the Consolidation Exception (issued on 18 December 2014). Note that the amendments to these standards do not apply to local authorities as they are not investment entities.

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 2018/19 or future Codes to which this applies are listed below:

- IFRS 9 Financial Instruments (issued July 2014).
- IFRS 15 Revenue from Contracts with Customers (issued May 2014).
- Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers (issued April 2016).
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (issued January 2016).
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative (issued January 2016).

The above changes require implementation from 1 January 2019 or later and therefore there is no impact on the information provided in the 2017/18 Financial Statements.

Note 3 - Critical Judgements in Applying Accounting Policies

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

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

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

The Financial Statements contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. 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.	If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and Council houses would increase by £385k and £993k respectively for every year that useful lives had to be reduced.
Arrears – Council Tax	At 31 March 2018 the Council had Council Tax debt outstanding of £10.843m. A review of outstanding balances suggested that an allowance for doubtful debts of £8.300m was appropriate resulting in coverage of 77% for doubtful debts. However, in the current economic climate such an allowance might not be sufficient.	If collection rates were to deteriorate and the provision had to be increased, for every 5% increase in the provision then a further contribution of £542k would be required.
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 pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the real discount rate would result in an increase in the pension liability of 10% equating to £37.94m
Housing Rent Arrears	At 31 March 2018 the Council had Housing Rent Arrears of £1.720m. A review of outstanding balances suggested that an impairment for irrecoverable rents of £1.386m was appropriate resulting in a coverage of 81% 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 fall by 5% this would increase the impairment by £42k to £1.428m increasing the % coverage for doubtful debts to 83%.
Salary costs	At the year end the salary costs were estimated based on a 3% payrise, however the Scottish Government had not yet confirmed the figures.	If the actual announcement was that staff get a differential payrise based on salary, which didn't cover all pay groups, the estimate maybe overstated.

Note 5 – Events after the Reporting Period

The Audited Financial Statements were authorised for issue by the Section 95 Officer (the Chief Accountant – interim) on 28 September 2018. Where events taking place before this date provided information about conditions existing at 31 March 2018, 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.

- In May 2018, the Chief Executive (Elaine MacPherson) left the organisation, however the recruitment process to replace the post did not result in a successful candidate being selected. Nikki Bridle took up the acting role in May 2018 whilst the second competitive recruitment process was carried out. In July 2018, Nikki Bridle was confirmed as the substantive Chief Executive.
- Nikki Bridle had been the section 95 officer prior to her appointment to Acting Chief Executive; however this was not possible once she took up the acting role. The Interim Chief Accountant (Paula Tovey) was therefore asked to take on the acting section 95 officer role, whilst recruitment to the substantive post takes place. The recruitment process had not commenced during the audit period.

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:

CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2017/18

Expenditure & Funding Analysis

2016/17 Restated Net Expenditure Chargeable to GF & HRA Balances	2016/17 Restated Adjustments between the Funding and Accounting Basis	2016/17 Restated Net Expenditure in the CI&E Statement		2017/18 Net Expenditure Chargeable to GF and HRA Balances	2017/18 Adjustments between the Funding and Accounting Basis	2017/18 Net Expenditure in the CI&E Statement
£'000	£'000	£'000		£'000	£'000	£'000
5,605	321	5,926	Strategy & Customer Services	5,903	915	6,818
19,739	291	20,030	Resources & Governance	5,500	1,392	6,892
(1,306)	-	(1,306)	Central Support	(1,012)	-	(1,012)
420	-	420	Executive Team	421	-	421
10,443	1,510	11,953	Development & Environment	13,813	2,345	16,158
36,686	5,121	41,807	Education Services	42,321	4,297	46,618
1,612	112	1,724	Housing & Community Safety	5,826	257	6,083
29,019	828	29,847	Social Services	28,950	1,655	30,605
7,698	(6,460)	1,238	Corporate Services	7,954	(6,156)	1,798
125	(1,426)	(1,301)	Housing Revenue Account	(2,027)	965	(1,062)
321	-	321	Valuation Joint Board	381	-	381
110,362	**297**	**110,659**	**Cost of Services**	**108,030**	**5,670**	**113,700**
(104,755)	**(3,294)**	**(108,049)**	**Other Income and Expenditure**	**(108,158)**	**(4,582)**	**(112,740)**
5,607	**(2,997)**	**2,610**	**(Surplus)/Deficit**	**(128)**	**1,088**	**960**
		14,697	**Opening GF and HRA Balance**			**12,099**
		(2,740)	Surplus/ (Deficit) in the year			**40**
		142	Transfer (to)/from other statutory reserves			**133**
		12,099	**Closing GF and HRA/ Balance**			**12,272**

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.

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 Insurance Fund.

Note 7 – Adjustments between Accounting Basis and Funding Basis under Regulations

2017/18	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Insurance Fund £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment account:						
Reversal of items debited or credited to the CIES						
Charges for depreciation and impairment of non-current assets	(7,265)	(7,405)	-	-	-	**14,670**
Movements in the fair value of investment assets	4	-	-	-	-	**(4)**
Amortisation of intangible assets	(271)	(29)	-	-	-	**300**
Capital grants and contributions applied	6,991	247	-	-	-	**(7,238)**
Revenue Expenditure Funded from Capital under Statute	(159)	-	-	-	-	**159**
Non-current assets written off on disposal/ sale as part of gain/ (loss) on disposal	(1,294)	(1,185)	-	-	-	**2,479**
Insertion of items not debited or credited to the CIES						
Statutory provision for the financing of capital investment	6,689	1,557	-	-	-	**(8,246)**
Capital expenditure charged against the General Fund and HRA Balances	-	5,674	-	-	-	**(5,674)**
Adjustments primarily involving the Capital Grants Unapplied account						
Capital Grants and contribution unapplied credited to the CIES	2,776	-	-	(2,776)	-	**-**
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds as part of the Gain/ (loss) on disposal to the CIES	1,088	432	(1,520)	-	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	432	-	-	**(432)**
Adjustments primarily involving the Financial Instruments Adjustments Account						
difference between finance costs charged to the CIES & statutory requirements	211	-	-	-	-	**(211)**
Adjustments involving Pension Reserve						
Reversal of items relating to post employment benefits debited or credited to the Provision of Services in the CIES (see Note 36)	(16,455)	(2,092)	-	-	-	**18,547**
Employer's pensions contributions and direct payments to pensioner in year	8,486	857	-	-	-	**(9,343)**
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Difference between officer remuneration charges to the CIES & statutory requirements	114	27	-	-	-	**(141)**
Total Adjustments	**917**	**(1,917)**	**(1,089)**	**(2,776)**	**-**	**4,865**

2016/17 Restated	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Insurance Fund £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment account:						
Reversal of items debited or credited to the CIES						
Charges for depreciation and impairment of non-current assets	(6,919)	(7,606)	-	-	-	**14,525**
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**
Non-current assets written off on disposal/ sale as part of gain/ loss on disposal	(364)	(2,796)	-	-	-	**3,160**
Insertion of items not debited or credited to the CIES						
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 as part of the Gain/ (loss) on disposal to the CIES	115	2,925	(3,040)	-	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,925	-	-	**(2,925)**
Adjustments primarily involving the Financial Instruments Adjustments Account						
difference between finance costs charged to the CIES & statutory requirements	210	-	-	-	-	**(210)**
Reversal of items relating to post employment benefits debited or credited to the Provision of Services in the CIES (see note 37)	(13,120)	(1,428)	-	-	-	**14,548**
Employer's pensions contributions and direct payments to pensioner in year	8,702	764	-	-	-	**(9,466)**
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Difference between officer remuneration charges to the CIES & statutory requirements	(473)	(19)				**492**
Total Adjustments	**1,162**	**(1,032)**	**(115)**	**(293)**	**-**	**(278)**

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 2017/18.

2017/18	General Fund £'000	Capital Receipts Reserve £'000	Insurance Fund £'000
Net Transfer to Insurance Fund from General Fund	(13)	-	13
Transfer from Capital Receipts to Fund Voluntary Severance	146	(146)	-
Total	**133**	**(146)**	**13**

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	**142**	**(148)**	**6**

Note 9 – Financing and Investment Income and Expenditure

	Notes	2017/18 £'000	2016/17 £'000
Interest payable and similar charges		8,959	9,122
Net Interest on the Net Defined Benefit Liability		4,307	3,809
Interest receivable and similar income		(534)	(524)
Changes in the carrying value Market loans		(7)	(6)
Revaluation of Investment Property	7	(4)	(168)
Rental Income from Investments		(185)	(200)
Total		**12,536**	**12,033**

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

Note 10 – Taxation and Non-Specific Grant Income

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

	2017/18 £'000	2016/17 £'000
Credited to Taxation and Non Specific Grant Income:		
Council Tax	20,702	18,895
Grant allocation for Council Tax Reduction Scheme	3,626	3,520
Non-Domestic Rate Income distributed by pool	14,928	16,269
Non-ring fenced government grants	77,138	74,494
Capital grants and contributions	9,840	6,731
Total	**126,234**	**119,909**

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 2017/18.

	2017/18 £'000	2016/17 £'000
Credited to Services		
DWP grant for Benefits	16,263	18,701
Criminal Justice	1,383	1,435
Other revenue grants (including EMA and Home Insulation)	5,824	4,031
Other Capital Grants & Contributions	159	171
Total	**23,629**	**24,338**

Note 11 – Property, Plant & Equipment (PPE)

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 2017/18 or since the previous valuation.

Property, Plant and Equipment (PPE)

Movements in 2017/18	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 PPE £'000
Cost or Valuation								
At 1 April 2017	140,378	187,233	19,651	53,438	4,775	71	405,546	94,621
Additions	6,334	1,897	1,171	4,435	3,583	-	17,420	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(249)	-	-	-	-	(249)	-
De-recognition – Disposals	(1,410)	(60)	(558)	-	(22)	-	(2,050)	-
Assets reclassified (to)/from Investment Assets	-	241	-	-	-	-	241	-
Other Movements in Cost or Valuation	4,488	(310)	-	-	(4,712)	52	(482)	-
At 31 March 2018	**149,790**	**188,752**	**20,264**	**57,873**	**3,625**	**123**	**420,426**	**94,621**
Depreciation charge								
At 1 April 2017	18,660	12,365	14,131	7,800	-	-	52,956	5,845
Depreciation charge	7,344	5,097	1,320	904	-	-	14,665	1,949
Recognised in the Revaluation Reserve	-	(179)	-	-	-	-	(179)	-
De-recognition – Disposals	(282)	-	(540)	-	-	-	(822)	-
Other movements in depreciation and impairment*	(6)	(56)	-	-	-	7	(55)	-
At 31 March 2018	**25,716**	**17,227**	**14,911**	**8,704**	**-**	**7**	**66,565**	**7,794**
Net Book Value:								
At 31 March 2018	**124,074**	**171,525**	**5,353**	**49,169**	**3,625**	**116**	**353,861**	**86,827**

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

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 including in PPE
	£'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	-
						4	4	
De-recognition – Disposals	(3,347)	(206)	(742)	-	-	-	(4,295)	-
Assets reclassified (to)/from Investment Assets	-	(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**
Depreciation charge								
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
Recognised in the Revaluation Reserve	-	(364)	-	-	-	-	(364)	-
De-recognition – 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**	**88,775**

Capital Commitments

At 31 March 2018 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £19.2m. Similar commitments at 31 March 2017 were £9.5m. The major commitments are as follows:

	£m
• HRA Council Housing Window Replacement	5.4
• HRA Council Housing Kitchen Supply	1.3
• HRA Council Housing Roof & Render	0.6
• Clackmannan Regeneration Project	0.9
• Tullibody South Campus	8.7
• Other smaller projects	2.3

Note 12 Heritage Assets

	Art Collection £'000	Public Art - Statues Glass & Mosaics £'000	Industrial Equipment & Other items £'000	Total Assets £'000
Cost or Valuation				
01 April 2017	115	500	220	835
31 March 2018	**115**	**500**	**220**	**835**
Cost or Valuation				
01 April 2017	115	500	220	835
31 March 2017	**115**	**500**	**220**	**835**

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

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.

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 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.

Note 13 – Investment Properties

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

Investment Properties (Non Current Assets)

	Notes	2017/18 £'000	2016/17 £'000
Balance at 1 April		**5,125**	5,308
Additions		5	8
Net gains/ (losses) from fair value adjustments		(4)	368
Transfers:			
(to)/from Property Plant and Equipment	11	(241)	91
(to)/from Assets Held for Sale	16	(1,099)	(650)
Depreciation Charges		(4)	-
Balance at 31 March		**3,782**	**5,125**

Investment Properties Held for Sale (Current Assets)	2017/18 £'000	2016/17 £'000
Balance at 1 April 2017	**1,038**	**288**
Additions	6	100
Disposals	(578)	-
Net gains/ (losses) from fair value adjustments		
- Transfers from Investment Properties	1,099	650
Balance at 31 March 2018	**1,565**	**1,038**
Total Investment Properties	**5,347**	**6,163**

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 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.

	2017/18 £'000	2016/17 £'000
Rental income from investment property	185	200
Direct operating expenses arising from investment property	-	-
	185	**200**

Note 14 – 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 £300k charged to revenue in 2017/18 was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services within the Comprehensive Income and Expenditure Statement. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2017/18 £'000	2016/17 £'000
Carrying Value		
1st April	1,946	2,420
Additions	241	487
Disposals Gross Cost	(418)	(961)
	1,769	**1,946**

Amortisation		
1st April	(940)	(1,650)
Amortisation charged in year		
Disposal accumulated amortisation	252	961
Amortisation for the year	(300)	(251)
	(988)	**(940)**
Carrying value 31 March	**781**	**1,006**

Note 15 – Long-Term Investments

The item of income and expenditure in respect of investment property leased out as operating leases, have been accounted for in the comprehensive income and expenditure statement.

	2017/18 £'000	2016/17 £'000
CSBP Clackmannanshire Investments Ltd (at cost)	1	1
Clackmannanshire Regeneration LLP	4,906	4,906
Coalsnaughton NHT 2012 LLP	4,358	2,976
	9,265	**7,883**

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 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.

Note 16 – Assets Held for Sale

This note provides detail of the Assets Held for Sale (AHFS) 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.

	Notes	2017/18 £'000	2016/17 £'000
Balance Outstanding at start of year		**409**	**849**
Impairment Losses		-	130
Assets reclassified (to)/from Other Land & Buildings	11	382	371
Assets reclassified (to)/from Surplus Assets	11	(52)	-
Assets reclassified (to)/from Investment Properties	13	152	-
Assets Sold		(443)	(130)
Depreciation on reclassification		(48)	-
		400	**1,220**
Prior year adjustment		**-**	**(811)**
Balance outstanding at year-end		**400**	**409**

A Prior Year Adjustment (PYA) is where an adjustment is required to the prior year to correct an error that has been found, relating to that year, in the current year. Two adjustments have been required to adjust the 2016/17 opening figures:

- AHFS are held at the lower of cost and net realisable value (IFRS 5), however a prior revaluation had taken place which had not been removed from the asset register and AHFS was therefore overstated by £292k.
- The Primrose Street Land was held at its original cost, however its net realisable value should have been zero as this land was earmarked for a development had been fully funded by a Scottish Government grant and so was over stated by £519k.

Note 17 – Inventories

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

	Building Works		Catering		Vehicle Maintenance		Other		Total	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
1st April	**201**	**226**	**44**	**44**	**52**	**44**	**162**	**199**	**459**	**513**
Purchased	627	654	712	721	482	427	462	409	2,283	2,211
Expensed In the year	(634)	(679)	(711)	(721)	(496)	(419)	(516)	(446)	(2,357)	(2,265)
31st March	**194**	**201**	**45**	**44**	**38**	**52**	**108**	**162**	**385**	**459**

Note 18 – Short-Term Debtors

This note provides detail of the Short-Term Debtors line in the Balance Sheet. 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:	2017/18 £'000	2016/17 £'000
Central government bodies	**2,616**	3,029
Other local authorities	**225**	1,149
NHS bodies	**1,599**	926
Public corporations and trading funds	**-**	7
Other entities and individuals	**7,798**	6,859
Total	**12,278**	**11,970**

Note 19 – Short-Term Investments and Cash and Cash Equivalents

	2017/18 £'000	2016/17 £'000
Short-Term Investments		
CSBP Clackmannanshire Developments Ltd (at cost)	-	15
Movement in impairment	-	-
Sub-total CSBP Clackmannanshire Developments Ltd (carrying value)	-	15
175 day notice cash deposit with banks	10,001	10,000
Total Short-Term Investments	**10,001**	**10,015**
Cash and Cash Equivalents		
Cash held by the Council	**32**	23
Bank current accounts	**9,827**	9,791
Total Cash and Cash Equivalents	**9,859**	**9,814**
TOTAL	**19,860**	**19,829**

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.

Note 20 – Short-Term Creditors

This note provides detail of the Short-Term Creditors line in the Balance Sheet. 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:

	2017/18 £'000	2016/17 £'000
Central government bodies	2,905	3,492
Other local authorities	2,309	1,358
NHS bodies	255	148
Public corporations and trading funds	288	292
Other entities and individuals	15,437	19,826
Total	**21,194**	**25,116**

Note 21 – Provisions

Legal Costs PPP

Agreement has been reached on disputed costs within the Council's provider of PPP; as a consequence there has been a reduction in the provision for legal costs by £30k. This matter is concluded, however settlement will take place in 2018/19 and the provision fully utilised by 31 March 2019.

Equal Pay

Payments of £61k have been made during the year and the provision reduced by £21k to reflect the estimates for the remaining claims. There is a remaining balance of £10k and it is anticipated that this will be sufficient to complete the settlement of the remaining claims and statutory on-costs.

Voluntary Severance

Relates to voluntary severance case that had been agreed at 31 March 2018, 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. This case has now been concluded. There was a provision brought forward of £150k to cover the remaining outstanding liability. Payments of £10k have been made in year and estimated final costs are £122k. Therefore there has been a reduction in the provision of £18k.

Legal Cases – Ordinarily Resident

A dispute has arisen around the Ordinarily Resident status of three individuals with Falkirk Council. This is where the residential address of the individual decides which organisation will pay for their care. If the person moves between Councils, the obligation to pay for that person goes with them. Delays in notifying these changes, has led to 3 people being resident in Clackmannanshire before the Council was aware of the change. It has been agreed that it would be prudent to provide for costs accrued in 2017/18 and a provision has therefore been established for £376k. The discussions on this continue into 2018/19. Also see contingent Liabilities note.

Insurance (Municipal Mutual Insurance MMI)

Prior to local government reorganisation in 1996, Central Regional Council and Clackmannan District Council entered into a solvent run-off arrangement with their insurer, MMI with the aim of having sufficient assets to meet outstanding insurance claims. However, the outcome of previous litigation has triggered the Scheme of Arrangement and created a financial liability for Clackmannanshire Council as successor Council. The Council had originally 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 provision was increased in 2016/17 by £12k based on estimates of the liability. The short term provision has been adjusted to £5k to reflect claims that are expected to be settled within the 2018/19 financial year, and the remaining £21k as a long term provision to meet future claims.

2017/18	Opening Balance At 1 April 2017	Additional provision made in 2017/18	Reduction In Provision	Amounts used in 2017/18	Balance At 31 March 2018
Short Term Provisions	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Early Retirement	-	-	-	-	-
Kitchen Contract	(150)	-	18	10	(122)
Legal Cases – PPP	(50)	-	30	-	(20)
Equal Pay	(92)	-	21	61	(10)
Municipal Mutual	(3)	(2)	-	-	(5)
Legal Case – Ordinarily Resident	-	(376)	-	-	(376)
Voluntary Severance	-	(280)		-	(280)
Total Short Term Provisions	**(295)**	**(658)**	**69**	**71**	**(813)**
	-	-	-	-	-
Equal Pay					
Municipal Mutual	(23)	2	-	-	(21)
Total Long Term Provisions	**(23)**	**2**	**-**	**-**	**(21)**
Total Provisions	**(318)**	**(656)**	**69**	**71**	**(834)**

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

Note 22 Borrowings

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

	Total Outstanding at: 2017/18 £'000	2016/17 £'000
Source of Loan		
Repayable within 12 months		
Public Works Loan Board	5,000	-
Other Short Term Borrowings	63	3,000
Revenue Advances:		
Common Good & Trust Funds	357	367
Central Scotland Valuation Joint Board	609	647
Accrued Interest on borrowing	1,278	1,270
	7,307	**5,284**
Repayable after 12 months		
Public Works Loan Board	72,515	76,444
Lender Option, Borrowing Option (LOBO) Loans	5,000	5,000
Market Loans	19,368	19,300
	96,883	**100,744**

Note 23 – Other Long Term Liabilities

	2017/18 £'000	2016/17 £'000
PFI & Finance Liabilities (see note (a) below)	40,374	41,342
Pension Liabilities (See Note 36)	95,522	163,343
Other Long-term Liabilities (see note (b) below)	616	613
	136,512	**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. The next table provides more details in respect of the future payments that are due under the terms of the contract. The movements in the balance sheet values are detailed below.

	PFI Scheme 2017/18 £'000	Street Lighting 2017/18 £'000	Total 2017/18 £'000	PFI Scheme 2016/17 £'000	Street Lighting 2016/17 £'000	Total 2016/17 £'000
Balance at 1 April	42,092	312	**42,404**	43,338	377	43,715
Finance Lease Creditor Repaid in year	(992)	(70)	**(1,062)**	(1,246)	(65)	(1,311)
Balance 31 March	**41,100**	**242**	**41,342**	**42,092**	**312**	**42,404**
Ageing:						
Liabilities due over more than one year	40,207	167	**40,374**	41,100	242	41,342
Liabilities due within one year	893	75	**968**	992	70	1,062
	41,100	**242**	**41,342**	**42,092**	**312**	**42,404**

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

	2017/18 £'000	2016/17 £'000
Developer Contributions	11	11
Reinstatement Bond	605	602
	616	**613**

Note 24 – 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 straight forward financial assets and liabilities, such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives and embedded derivatives.

Table 1: Financial Instrument Balances
Categories of Financial Instruments
The following categories of financial instruments are carried in the Balance Sheet:

	Long-Term		Current	
Financial Liabilities	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Financial liabilities at amortised cost	96,883	101,357	7,307	4,628
PFI & Finance leases facilities	40,374	41,342	968	1,062
Trade Creditors	-	-	7,823	8,123
Total Financial Liabilities	**137,257**	**142,699**	**16,098**	**13,813**

Financial Assets	Long-Term 2017/18 £'000	Long-Term 2016/17 £'000	Current 2017/18 £'000	Current 2016/17 £'000
Loans & Receivables	9,265	7,883	12,848	19,829
Trade Debtors	1	-	3,380	3,117
Total Financial Assets	**9,266**	**7,883**	**16,228**	**22,946**

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

	2017/18 Financial Liabilities measured at amortised cost £'000	2017/18 Financial Assets: Loans and Receivables £'000	2017/18 Total £'000	2016/17 Financial Liabilities measured at amortised cost £'000	2016/17 Financial Assets: Loans and Receivables £'000	2016/17 Total £'000
Interest expense	5,511	-	5,511	5,563	-	5,563
Interest on PFI and finance lease liabilities	3,347	-	3,347	3,490	-	3,490
Impairment on financial assets	-	-	-	-	-	-
Total expense in (Surplus) or Deficit on the Provision of Services	**8,858**	**-**	**8,858**	**9,053**	**-**	**9,053**
Interest income	-	(431)	(431)	-	(398)	(398)
Total income in (Surplus) or Deficit on the Provision of Services	**-**	**(431)**	**(431)**	**-**	**(398)**	**(398)**
Net (gain)/loss for the year	**8,858**	**(431)**	**8,427**	**9,053**	**(398)**	**8,655**

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 net 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, fair values have been calculated using both redemption and new borrowing (certainty rate) discount rates;
- 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 both PWLB redemption and new PWLB Certainty Rate 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.
-

Fair Values of Assets and Liabilities

The Fair values are calculated as follows:-

	31 March 2018		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB – Maturity	78,717	128,571	77,638	128,856
PWLB – Annuity	35	54	35	59
LOBO's	5,041	7,781	5,041	7,940
Market Loans	19,431	27,938	19,300	28,492
Other Loans	-	-	3,000	3,016
Total Debt/Financial Liabilities	**103,224**	**164,344**	**105,014**	**168,363**

Notes to the Financial Statements

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 £128.571m (2016/17 £128.856m) 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.

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 £78.5m would be valued at £151.2m. But if the Council 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. The exit price for the PWLB loans including the penalty charge would be £151.2m, comprising the principal of £77.5m, accrued interest of £1.2m and a premium of £72.5m.

Note 25 – Unusable Reserves

	Note	2017/18 £'000	Restated 2016/17 £'000
Revaluation Reserve	a)	(85,021)	(87,128)
Capital Adjustment Account	b)	(135,774)	(129,749)
Financial Instruments Investment Account	c)	2,536	2,747
Pensions Reserve	d)	95,522	163,343
Accumulating Compensated Absences Adjustment Account	e)	2,456	2,599
Total Unusable Reserves		(120,281)	**(48,188)**

a) 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.

	2017/18 £'000	Restated 2016/17 £'000
Balance at 1 April	(87,128)	**(88,806)**
Upward revaluation of non-current assets	(103)	(835)
Downward revaluation of non-current assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	173	48
Surplus/deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	70	**(787)**
Difference between fair value depreciation and historical cost depreciation	565	341
Accumulated (losses) on assets sold or scrapped	1,472	1,832
Amount written off to the Capital Adjustment Account	2,037	**2,173**
Prior year adjustment	-	**(292)**
Balance 31 March	(85,021)	**(87,128)**

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charges to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 £'000	Restated 2016/17 £'000
Balance at 1 April	(129,749)	**(122,442)**
Prior Year Adjustment	450	(48)
	(129,299)	**(122,490)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	14,670	14,006
Amortisation of intangible assets	300	251
Revenue expenditure funded from capital under statute	159	171
Amounts of non current assets written off on disposal / sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,027	3,161
Amounts written out of the Revaluation Reserve on assets sold or scrapped	(1,472)	(1,477)
	15,684	**16,112**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(432)	(2,925)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(7,238)	(6,902)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balance		
General Fund and HRA balances	(8,246)	(8,286)
Capital expenditure charged against the General Fund and HRA balances	(5,674)	(4,912)
Depreciation on Revaluation Reserve	(565)	(697)
Movement in the market value of Investment Properties debited or credited to CIES	(4)	(168)
	(22,159)	**(23,890)**
PYA	-	519
Balance at 31 March	(135,774)	**(129,749)**

c) 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 2018 will be charged to the General Fund over the next 36 years.

	2017/18 £'000	2016/17 £'000
Balance at 1 April	2,747	**2,957**
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	(7)	(6)
Balance at 31 March	**2,536**	**2,747**

d) 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.

	2017/18 £'000	2016/17 £'000
Balance at 1 April	163,343	**108,274**
Return on Pension Assets	7,397	(43,457)
Actuarial Gains or Losses on Pension Assets and Liabilities	(84,422)	93,444
Reversal of items debited or credited to CIES	18,547	14,548
Employers Pensions contribution and direct payments to pensioners in the year	(9,343)	(9,466)
Balance at 31 March	**95,522**	**163,343**

e) 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.

	2017/18 £'000	2016/17 £'000
Balance at 1 April	(2,599)	**(2,107)**
Settlement or cancellation of accrual made at the end of the preceding year	2,599	2,107
Amounts accrued at the end of the current year	(2,456)	(2,599)
	143	**(492)**
Balance at 31 March	**(2,456)**	**(2,599)**

Note 26 – Cash Flow Statement – Operating Activities

a) The cash flows for operating activities include the following items:

	2017/18 £'000	Restated 2016/17 £'000
Interest Received	(535)	(524)
Interest Paid	14,556	12,897
(Surplus) or deficit on the provision of services (CIES)	960	2,610

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

	Notes	2017/18 £'000	Restated 2016/17 £'000
Depreciation	11 &13	14,670	14,357
Impairment and downward valuations	11	466	-
Amortisation	14	300	251
Increase in Interest Creditors		33	33
Increase/ (decrease) in Creditors	20	(3,922)	6,165
(Increase)/ decrease in Debtors	18	(308)	2,329
PFI adjustment		1,019	-
(Increase)/Decrease in Inventories	17	74	54
Pension Liability	36	9,204	5,082
Contributions to/(from) Provisions	21	516	(287)
Carrying amount of non-current assets sold	2	2,480	3,161
Carrying amount of short and long term investments sold		15	-
		24,547	**31,145**

c) Adjustments for items included in the net deficit of provision of services that are investing & financing activities:

	2017/18 £'000	Restated 2016/17 £'000
Capital grants credited to surplus or deficit on the provision of services	(7,238)	(5,471)
Proceeds from the sale of short and long term investments	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,522)	(3,055)
	(8,760)	**(8,526)**

Note 27 – Cash Flow Statement – Investing Activities

	2017/18 £'000	Restated 2016/17 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(17,666)	(16,561)
Other Capital Payments	(159)	(171)
Purchase of short and long term investments	(11,383)	(7,000)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,522	3,055
Proceeds from short-term investments	14	-
Capital Grants received	7,308	7,407
Net cash flows from investing activities	**(20,364)**	**(13,270)**

Note 28 – Cash Flow Statement – Financing Activities

	2017/18 £'000	Restated 2016/17 £'000
Cash receipts of short and long-term borrowing	13,470	7,299
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,062)	(1,311)
Repayments of short and long-term borrowing	(6,826)	(6,578)
Net cash from financing activities	**5,582**	**(590)**

Note 29 - 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 (2016/17: £0.177m). This charge has been fixed by the Scottish Government for a 4 year period to 31 March 2020. This income is included in the Comprehensive Income and Expenditure Statement.

Note 30 – External Audit Costs

Fees payable to Audit Scotland within the year for external audit services carried out by the appointed auditor amounted to £0.200m (2016/17: £0.203m which included £0.003m for Sundry Trust Fund Accounts 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.

Note 31 – 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 2017/18 are disclosed elsewhere within the Financial Statements:

a) Receipts from Central Government (Revenue Support Grant, NNDR Contribution from Pool, Government Grants etc.) are shown in Note 10 (Grant Income);
b) Payments to the Falkirk Council Pension Fund and Scottish Government (Teachers' Pensions) are shown in Notes 35 and 36 (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 33.

The following table shows significant payments and receipts between Clackmannanshire Council and its associated entities

	2017/18 £'000	2016/17 £'000
Contribution payment made to Clackmannanshire and Stirling Integration Joint Board	16,602*	16,518
Commissioning income received from Clackmannanshire and Stirling Integration Joint Board*	(16,602)	(16,518)
	-	-

**After total risk sharing year end adjustment of £1.154m (25% Clackmannanshire Council)*

Note 32 – 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.

	2017/18 £'000	2016/17 £'000
Opening Capital Financing Requirement Capital Investment	147,052	**153,339**
Property Plant & Equipment	17,420	16,080
Intangible Assets	241	487
Revenue Expenditure Funded from Capital Under Statute	159	171
Sources of finance		
Capital receipts	(432)	(2,925)
Government grants and other contributions	(7,238)	(6,902)
Direct revenue contributions	(5,674)	(4,912)
Repayment of Finance Lease Capital Debt	(1,062)	(1,311)
Loans Fund Principal	(7,122)	(6,975)
Closing Capital Financing Requirement	**143,344**	**147,052**
Increase/(decrease) in CFR (unsupported by government financial assistance)	(3,708)	(6,287)

Note 33 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.

	2017/18 £'000	2016/17 £'000
Infrastructure Assets	279	373

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:

	2017/18 £'000	2016/17 £'000
Finance lease liabilities (net present value of minimum lease payments):		
· Current	75	70
· Non-current	167	242
Finance costs payable in future years	37	61
Minimum lease payments	**279**	**373**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
No later than one year	18	24	75	70
Later than one year not later than five years	19	37	167	242
Later than five years	-	-	-	-
	37	61	242	312

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:

	2017/18 £'000	2016/17 £'000
Not later than one year	184	184
Later than one year and not later than five years	275	459
Later than five years	-	-
	459	643

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

	2017/18 £'000	2016/17 £'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.

Note 34 – Private Finance Initiative and Similar Contracts

Secondary Schools PFI Scheme

2017/18 was the tenth 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 11.

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 2018, 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	3,817	893	3,279	7,989
Payable within 2 to 5 years	15,689	4,772	13,007	33,468
Payable within 6 to 10 years	22,415	7,844	15,273	45,532
Payable within 11 to 15 years	25,877	10,383	13,882	50,142
Payable within 16 to 20 years	30,195	14,526	10,637	55,358
Payable within 21 to 25 years	7,062	2,682	1,075	10,819
Total	**105,055**	**41,100**	**57,153**	**203,308**

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, and
- the capital expenditure incurred and interest payable, until the capital cost is reimbursed.

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2017/18 £'000	2016/17 £'000
Balance outstanding at start of year	42,092	43,338
Payments during the year	(992)	(1,246)
Balance outstanding at year-end	**41,100**	**42,092**

Note 35 - 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 2018 was 17.2% of pensionable pay. The rate has remained the same since 1 September 2015. In total for the year 2017/18 the Council paid £3.040m (2016/17: £3.190m) to Teacher's Pensions in respect of teachers' retirement benefits, this equates to 17.1% of pensionable pay.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31 March 2018, the Council's own contribution equates to approximately 0.74% (2016/17: 0.8%).

Notes 36 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.

The following transactions have been made in the Financial Statements in accordance with IAS19:

	Local Government Pension Scheme	
	2017/18	2016/17
Comprehensive Income and Expenditure Statement (CIES)	£'000	£'000
Cost of Services:		
· Current service cost	13,732	10,059
· Past service costs	508	680
Financing and Investment Income and Expenditure:		
· Interest expense – defined benefit obligation	12,105	12,434
· Interest income on scheme assets	(7,798)	(8,625)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**18,547**	**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)	7,397	(43,457)
· Actuarial (gains)/losses arising on changes in demographic assumptions	719	-
· Actuarial (gains)/losses arising on changes in financial assumptions	(22,286)	92,608
· Other experience (gains)/losses	(62,855)	836
(Gain)/ loss recognised in the CIES	**(77,025)**	**49,987**
Total Post Employment Benefit Charged to the CIES	**(58,478)**	**64,535**
Movement in Reserves Statement (MIRS)		
Reversal of net charge made to the surplus or deficit on the provision of Services	**(18,547)**	**(14,548)**
For post-employment benefits in accordance with the CODE 129.	**9,343**	**9,466**
Actual amount charged against the General Fund Balance for Pensions in the year:	**(9,204)**	**(5,082)**

Pensions Assets and Liabilities Recognised in the Balance Sheet Movement in Reserves Statement (MIRS)	2017/18 £'000	2016/17 £'000
Present value of the defined benefit obligation (1)	(396,752)	(462,777)
Fair value of pension fund assets	301,230	299,434
Net Liability arising from Defined Benefit Obligation	**(95,522)**	**(163,343)**
(1) Unfunded liabilities for present Value of liabilities		
Unfunded liabilities for Pension Fund	17,833	18,465

Pension 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)	2017/18	2016/17
	£'000	£'000
Present value of the defined benefit obligation (1)	(396,752)	(462,777)
Fair value of pension fund assets	301,230	299,434
Net Liability arising from Defined Benefit Obligation	**(95,522)**	**(163,343)**
(1) Unfunded liabilities for present Value of liabilities		
Unfunded liabilities for Pension Fund	17,833	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:

	2017/18 £'000	2016/17 £'000
Opening Balance at 1 April	**(462,777)**	**(354,117)**
Current service cost	(13,732)	(10,059)
Interest cost	(12,105)	(12,434)
Contributions by Pension Fund participants	(2,238)	(2,276)
Re-measurement gains/(losses)		
Actuarial gains/losses from change in demographic assumptions	(719)	-
Actuarial gains/(losses) from change in financial assumptions	22,286	(92,608)
Actuarial gains/(losses) from other experiences	62,855	(836)
Past service costs	(508)	(680)
Benefits paid	10,186	10,233
Closing value at 31 March	**(396,752)**	**(462,777)**

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

	2017/18 £'000	2016/17 £'000
Opening fair value of pension fund assets	**299,434**	**245,843**
Interest income	7,798	8,625
Return on pension assets (excluding amounts included in net interest)	(7,397)	43,457
Contributions from employers	9,343	9,466
Contributions by employees in the scheme	2,238	2,276
Benefits paid	(10,186)	(10,233)
Closing fair value of pension fund assets	**301,230**	**299,434**

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

	2017/18 £'000	2016/17 £'000
Equity instruments (by industry type)		
- Consumer	28,314	31,134
- Manufacturing	15,138	14,607
- Energy & Utilities	10,362	12,082
- Financial institutions	23,241	20,200
- Health & Care	10,925	13,499
- Information & Technology	20,110	20,604
- Other	4,513	5,908
Sub Total Equity	**112,603**	**118,034**
Debt Securities		
- Corporate Bond (investment grade)	2,910	11,461
	2,910	**11,461**
Property (by type)		
- UK	18,262	18,704
- Overseas	172	510
Sub Total Property	**18,434**	**19,214**
Private Equity		
- UK	8,376	22,961
Sub Total Private Equity	**8,376**	**22,961**

Other Investment funds		
- Equities	64,797	66,511
- Bonds	22,948	14,406
- Infrastructure	22,416	3,593
- Other	31,478	31,033
Sub Total Other Investment Funds	**141,639**	**115,543**
Cash and cash equivalents	17,268	**12,221**
Total Assets	**301,230**	**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.

	2017/18	**2016/17**
Long-term expected rate of return on assets in the fund		
Equity investments	2.7%	2.6%
Bonds	2.7%	2.6%
Property	2.7%	2.6%
Cash	2.7%	2.6%
Mortality assumptions		
Longevity at 65 for current pensioners (years):	**Years**	**Years**
Men	21.2	22.1
Women	23.7	23.8
Longevity at 65 for future pensioners (years):		
Men	22.7	24.3
Women	25.5	26.3
Inflation assumptions	**2017/18**	**2016/17**
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	2.9%	3.9%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting Fund liabilities	2.7%	2.6%

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

	Approx Increase to Employer %	Approx Monetary Amount £'000's
0.5% Decrease in Real Discount Rate	10.0%	37,941
0.5% increase in the Salary Increase Rate	2.0%	7,143
0.5% increase in the Pension Increase Rate	8.0%	30,185

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 2017/18 employers' contributions were set at 21.5%. For 2018/19 employers' contributions have been set at 21.5%. For 2019/20 22.5% and 2020/21 23%. The next triennial valuation will be completed by 31 March 2020 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 2019 is £7.994m (2017/18 £8.161m).

Note 37 – 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 21 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.

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 might be, however it is probable that a liability will exist.

Legal Cases – Ordinarily Resident

A dispute has arisen around the Ordinarily Resident status of three individuals from Falkirk Council, it has been agreed that it would be prudent to provide for costs relating to 2017/18 and this appears within the provisions note. However, the dispute also relates to periods prior to 2017/18 and so there may be additional costs related to those periods. As yet this has not been raised as a liability and the exact amounts have not been identified, therefore a liability for additional amounts may be raised with the Council at an unspecified future date.

Historic Sexual Abuse Cases

The Council has had previous historic sexual abuse cases and with local media interest in such cases generally, there maybe future abuse cases that come forward. These can not be predicted or quantified at this time, but remain a potential risk as a future liability.

Note 38 – 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. Details of the Investment Strategy can be found on the Council's website. The Treasury Management Strategy Statement 2018/19 and Prudential Indicators 2018/19 to 2022/23 were approved by Full Council on 8 March 2018 and are available on the Council's website.

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

The Authority's maximum exposure to credit risk, in relation to its investments in banks and building societies of £12.8m, 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 2018 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 £3.237m is past its due date for payment. The past due amount can be analysed by age as follows:

	2017/18	2016/17
	£'000	£'000
Less than three months	1,335	1,632
Three to six months	164	146
Six months to one year	205	151
More than one year	1,533	1,188
Total	**3,237**	**3,117**

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.

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 meets 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	2017/18 £'000	2016/17 £'000
Public Works Loans Board	77,515	76,444
LOBO Loan	5,000	5,000
Market Debt	19,431	19,300
Other Short Term Borrowings	-	-
Total	**101,946**	**103,744**

Maturity Structure	2017/18 £'000	2016/17 £'000
Less than 1 year	5,063	3,000
Between 1 and 2 years	63	5,000
Between 2 and 5 years	3,546	412
Between 5 and 10 years	5,769	5,719
More than 10 years	87,505	89,613
Total	**101,946**	**103,744**

In the more than 10 years category there are £18.5m of market loans which have a fixed rate of interest and £5m of LOBO loans which the lender has the option to alter the rate of interest at predetermined dates. If this occurs the Council has the option to repay the principal and accrued interest.

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 (*made better*) 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.

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 no exposure to loss arising from movements in exchange rates.

Note 39 – Trust Funds

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

The Council administers the funds for 61 (2016/17 61) Trusts:	**2017/18 £’000**	**2016/17 £’000**
Value of other Charitable Trusts and Endowments	362	363
Total value of all Trusts and Endowments	**362**	**363**

HOUSING REVENUE ACCOUNT (HRA) Income and Expenditure Statement for the year ended 31 March 2018

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 £'000		2017/18 £'000
	Expenditure	
5,410	Repairs and maintenance	5,692
3,441	Supervision and management	3,688
7,606	Depreciation and impairment of non-current assets	7,434
338	Impairment of debtors	446
466	Other Expenditure	454
17,261	**Total Expenditure**	17,714
	Income	
(18,488)	Dwelling Rents	**(18,704)**
(74)	Non-dwelling rents	(71)
(18,562)	**Total income**	**(18,775)**
(1,301)	**Net Cost of HRA Services**	**(1,062)**
(129)	(Gain)/Loss on sale of HRA non-current assets	753
1,465	Interest payable and similar charges	1,430
(11)	Interest and investment income	**(43)**
392	Pensions interest cost and expected return on pension assets	499
(647)	Capital grants and contributions receivable	**(247)**
1,070		**2,392**
(231)	**Deficit/(Surplus) for the year on HRA Services**	**1,331**

HOUSING REVENUE ACCOUNT (HRA) Movement in Reserves Statement

Restated 2016/17 £'000		2017/18 £'000
(710)	**Balance on the HRA at the end of the previous year**	**(1,973)**
(231)	Deficit/(Surplus) for the year on the HRA Income and Expenditure Statement	1,850
(1,032)	Adjustments between accounting basis and funding basis under regulations (Note HRA 1) regulations (Note HRA 1)	(2,436)
(1,263)	(Increase)/Decrease in the year on HRA	(586)
(1,973)	**Balance on the HRA at the end of the current year**	**(2,559)**

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

Restated 2016/17 £'000		2017/18 £'000
129	Gain/(Loss) on sale and disposal of HRA non-current assets	(753)
4,912	Capital expenditure funded by the HRA (CFCR)	5,674
647	Capital Grants contributions that have been applied to capital financing	247
	Transfer to/from the Capital Adjustment Account:	
(7,606)	- Depreciation and Impairment	(7,434)
1,569	- Repayment of Debt	1,557
(664)	HRA share of contributions to/from the Pension Reserve	(1,235)
(19)	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	27
(1,032)	Total	**(1,917)**

HRA 2. Housing Stock

The Council's housing stock at 31 March 2018 was 4,960 (31 March 2016: 4,967) in the following categories:

2016/17 Number		2017/18 Number
25	One apartment	25
1,369	Two apartment	1,369
2,209	Three apartment	2,205
1,227	Four apartment	1,223
136	Five apartment	136
1	Six apartment	2
4,967	**Total**	**4,960**

HRA 3. Rent Arrears

Rent Arrears increased during the year by £180,102 to a total of £1,720,487 (2016/17: £1,540,385). As a percentage of gross rental income, the arrears represent 9.19% (2016/17: 8.3%) which is equivalent to £347 (2016/17: £309) per house.

HRA 4. Impairment of Debtors

In 2017/18 an impairment of £1,386,314 (2016/17: £1,234,493) has been provided in the Balance Sheet for irrecoverable rents, an increase of £151,821 on the provision in 2016/17.

HRA 5. Rent Lost Due To Empty Properties

Rent lost due to empty properties during the year was £400,925 (2016/17: £454,477) this is included within the other expenditure figures in the Income and Expenditure Statement.

Council Tax Income Account for the year ended 31 March 2018

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.

2016/17 £'000		2017/18 £'000
(25,890)	**Gross Council Tax levied and contributions in lieu Deduct:**	(27,983)
3,093	Other discounts and reductions	3,288
578	Write-off of uncollectable debts and allowance for impairment	582
8	Adjustments to previous years Council Tax	11
3,316	Council Tax Reduction Scheme	3,400
(18,895)	**Net Council Tax Income transferred to General Fund**	**(20,702)**

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 2017/18 was £1,182.44 (2016/17 - £1,148). This was a 3% increase from the previous year.

Valuation Band	Council Tax Charge £
A (disabled relief)	656.91
A	788.29
B	919.68
C	1,051.06
D	1,182.44
E	1,553.59
F	1,921.47
G	2,315.61
H	2,896.98

Council Tax Income Account for the year ended 31 March 2018

CTI.2 Calculation of the Council Tax Charge Base 2017/18

number of dwellings (properties)

	A (Disabled) Relief)	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
Total number of dwellings	-	6,321	7,313	2,041	2,563	3,256	1,945	888	50	**24,377**
Less exempt dwellings	-	(284)	(231)	(81)	(49)	(42)	(25)	(11)	(5)	**(728)**
Dwellings subject to disabled reduction	-	(24)	(31)	(22)	(19)	(47)	(13)	(7)	(3)	**(166)**
Dwellings subject to tax at this band due to disabled relief	24	31	22	19	47	13	7	3	-	**166**
Less adjustments for single discounts	(3)	(884)	(784)	(200)	(192)	(182)	(66)	(30)	-	**(2,341)**
Less adjustments for double discounts	-	(18)	(26)	(13)	(12)	(7)	(6)	(1)	(2)	**(85)**
Less adjustments for disregarded adults	-	(2)	(2)	(1)	-	-	-	-	-	**(5)**
	21	**5,140**	**6,261**	**1,743**	**2,338**	**2,991**	**1,842**	**842**	**40**	**21,218**
Effective number of dwellings after discounts, exemptions and reliefs										
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 properties Number of Dwellings	12	3,427	4,870	1,549	2,338	3,656	2,661	1,403	80	**19,995**
Less provision for non-collection @ 2.5%										(500)
Council Tax Base 2017/18										**19,495**

Non Domestic Rates Income Account for the year ended 31 March 2018

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.

2016/17 £'000		2017/18 £'000
(19,048)	**Gross rates levied and contributions in lieu**	**(20,582)**
3,303	Reliefs and other deductions	3,887
176	Allowance for impairment of debts and appeals	363
(15,569)	**Net Non-Domestic Rate Income**	**(16,332)**
84	Adjustment to previous years' national non-domestic rates	(87)
(15,485)	**Net Non-Domestic Rates Income**	**(16,419)**
(33)	Add back: 25% Discretionary Reliefs not offset for Pool Contribution	(30)
(15,518)	**Income for Contribution to Non-Domestic Rate Pool**	**(16,449)**

2016/17 £'000		2017/18 £'000
15,518	Contribution to National Non-Domestic Rate Pool	16,449
(16,269)	Distribution from National Non-Domestic Rate Pool	(14,928)
(751)	(Gain)/Loss from National Pool	1,521
(16,269)	**Net NNDR Income per the Comprehensive Income and Expenditure Statement (Note 10)**	**(14,928)**

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 pound of £0.466 which is determined each year by the Scottish Government.

NDR 2. Rate Poundages Levied

	2017/18	2016/17
National Non-Domestic Rate	46.6p	48.4p
Large Property Supplement – properties valued > £35,000	-	2.6p
Large Property Supplement – properties valued > £51,000	2.6p	-

NDR 3. Analysis of Rateable Values as at 1 April 2017

	Number of Premises	Rateable Value £
Type of Subject		
Commercial	904	15,747,335
Industrial	306	16,810,740
Miscellaneous	391	9,994,670
Total	**1,601**	**42,552,745**

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.

Common Good Comprehensive Income and Expenditure Statement
For the year ended 31 March 2018

2016/17 £'000		2017/18 £'000	2017/18 £'000
	Income		
(262)	Charges for use of premises	(247)	
(262)			**(247)**
	Expenditure		
65	Property Maintenance	37	
49	Utilities	50	
80	Rates	96	
39	Cleaning, land services and refuse collection	43	
29	Insurance	20	
-	Furniture	1	
172	Depreciation and Impairment	176	
434			**423**
172	**Cost of Services**		**176**
(1)	Financing and Investment Income		-
(60)	Taxation and Non-Specific Grant Income		(90)
111	**(Surplus)/Deficit on Provision of Services**		**86**
111	**Total Comprehensive (Income) and Expenditure**		**86**

Common Good Balance Sheet
As at 31 March 2018

2016/17 £'000		2017/18 £'000
	Non Current Assets	
4,112	Property plant and equipment	3,936
	Current Assets	
9	Short term investments	9
4,121		**3,945**
(9)	**Usable reserves**	(9)
	Unusable reserves	
(248)	Revaluation reserve	(248)
(3,864)	Capital adjustment account	(3,688)
(4,121)		**(3,945)**

Common Good Movement on Reserves Statement
As at 31st March 2018

	Notes	Usable Reserves £'000	Unusable reserves £'000	Total reserves £'000
Balance at 1st April 2017		**(9)**	**(4,112)**	**(4,121)**
Movement in reserves during 2017/18				
Total comprehensive income and expenditure		176	-	176
Adjustment between accounting basis and funding	1	(176)	176	-
		-	176	176
Balance at 31st March 2018		**9**	**3,936**	**3,945**
Balance at 1st April 2016		**(8)**	**(4,224)**	**(4,232)**
Movement in reserves during 2016/17				
		-		-
Total comprehensive income and expenditure		111		111
			-	
Adjustment between accounting basis and funding	1	(112)	112	-
			-	**-**
		(1)	**112**	**111**
Balance at 31st March 2017		**(9)**	**(4,112)**	**(4,121)**

Notes to the Common Good Account

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

2017/18	**Common Good Balance**	**Movement in Unusable Reserves**
Reversal of Items debited or credited to the Comprehensive Income and expenditure statement	**£'000**	**£'000**
Charges for Depreciation and Impairment of Non-Current assets	(176)	176
Capital Grants and Contributions Applied	90	(90)
	(86)	**86**
2016/17		
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)
	(112)	**112**

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**

  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 2017/18 was £15.341m, however the actual year end spend amounted to £16.602m. The overspend was funded by the partners, in their voting shares. The IJB Board comprises twelve voting members with three elected members of Clackmannanshire Council (25% voting share).
- **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 2017/18 or 2016/17 financial years.

Associates:
- **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 2017/18 was £0.381m (2016/17: £0.321m).
- **Coalsnaughton NHT 2012 LLP**
  The Coalsnaughton NHT 2012 LLP has 4 member bodies, 1 of which is Clackmannanshire Council (25%). The loan accrues interest at 4% per annum and £126,201 was charged for the year to 30 September 2017. Additional loan funding was paid to the JV amounting to £1,071,500 bringing the total loan up to £4,047,452 to 30 September 2017.

Subsidiary:
- **Common Good – the Common Good is administered by Clackmannanshire Council a**nd is treated as a subsidiary within the Council's Group accounts with assets, liabilities, reserves, income and expenditure being consolidated line by line. Please see previous section of these accounts for income and charges made in the year by the Council for services provided.

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

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.

Restated 2016/17* Gross Expenditure £'000	2016/17* Gross Income £'000	2016/17* Net Expenditure /(Income) £'000		2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure /(Income) £'000
6,588	(662)	5,926	Strategy & Customer Services	7,394	(576)	6,818
22,348	(2,318)	20,030	Resources & Governance	7,402	(511)	6,891
-	(1,306)	(1,306)	Central Support	-	(1,012)	(1,012)
420	-	420	Executive Team	421	-	421
16,515	(4,562)	11,953	Development & Environment	22,863	(6,705)	16,158
45,225	(3,418)	41,807	Education Services	50,840	(4,222)	46,618
23,832	(22,108)	1,724	Housing & Community Safety	25,792	(19,709)	6,083
60,176	(30,329)	29,847	Social Services	59,644	(29,039)	30,605
1,729	(491)	1,238	Corporate Services	3,603	(1,805)	1,798
17,261	(18,562)	(1,301)	Housing Revenue Account	17,714	(18,775)	(1,061)
373	(262)	111	Common Good	333	(247)	86
321		321	Valuation Joint Board	381	-	381
194,788	**(84,018)**	**110,770**	**Council Cost of Services**	**196,387**	**(82,601)**	**113,786**
-	-	(748)	*Share of associates & Joint Ventures*	-	-	333
194,788	**(84,018)**	**110,022**	**Group Cost of services**	**196,387**	**(82,601)**	**114,119**
-	(173)	(173)	Other Operating Expenditure	958	-	958
12,931	(898)	12,033	Financing and Investment Income and Expenditure	14,556	(2,020)	12,536
-	(119,909)	(119,909)	Taxation and Non-Specific grant Income		(126,234)	(126,234)
207,719	**(204,998)**	**1,973**	**(Surplus) or Deficit on Provision of Services**	**211,901**	**(210,855)**	**1,379**
		(835)	(Surplus) or Deficit on revaluation of non-current assets			(103)
		48	Impairment losses on non-current assets charged to the revaluation reserve			169
		49,987	Actuarial (gains)/losses on pension assets/ liabilities			(77,025)
		348	*Share of associates & Joint Ventures*			(507)
		49,548	**Other Comprehensive (Income) and Expenditure**			**(77,466)**
		51,520	**Total Comprehensive (Income) and Expenditure**			**(76,087)**

**2016/17 has been restated to include the common good as a subsidiary.*

Group Movement in Reserves Statement
For the Year Ended 31st March 2018

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 1 April 2017	**(16,096)**	**(2,208)**	**(18,304)**	**(48,188)**	**(2,778)**	**(50,966)**	**(69,270)**
Movement in Reserves	(3,908)	(112)	(4,020)	(72,093)	(278)	(72,371)	(76,391)
Balance at 31 March 2018	**(20,004)**	**(2,320)**	**(22,324)**	**(120,281)**	**(3,056)**	**(123,337)**	**(145,661)**

	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 1 April 2016	**(18,429)**	**(357)**	**(18,786)**	**(97,958)**	**(3,277)**	**(101,235)**	**(120,021)**
Movement in Reserves	2,333	(796)	1,537	48,959	499	49,458	50,995
Balance at 31 March 2017	**(16,096)**	**(1,153)**	**(17,249)**	**(48,999)**	**(2,778)**	**(51,777)**	**(69,026)**
Prior year adjustment		(1055)	(1,055)	811		811	(244)
	(16,096)	**(2,208)**	**(18,304)**	**(48,188)**	**(2,778)**	**(50,966)**	**(69,270)**

Group Balance Sheet as at 31st March 2018

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.

Restated 2016/17 £'000		2017/18 £'000
356,702	Property, Plant & Equipment	357,797
835	Heritage Assets	835
5,125	Investment Properties	3,782
1,006	Intangible Assets	781
7,883	Long-Term Investments	9,265
2,122	*Investments in Associates and Joint Ventures*	2,228
2	Long-Term Debtors	1
373,675	**Non-Current Assets**	**374,689**
938	Investment Properties held for Sale	1,566
409	Assets held for Sale	400
459	Inventories	385
11,970	Short-Term Debtors	12,278
10,024	Short-Term Investments	10,010
9,814	Cash and Cash Equivalents	9,859
33,614	**Current Assets**	**34,498**
(5,284)	Short-Term Borrowing	(7,307)
(25,117)	Short-Term Creditors	(21,193)
(295)	Provisions	(814)
(30,696)	**Current Liabilities**	**(29,314)**
(23)	Provisions	(21)
(100,744)	Long-Term Borrowing	(96,883)
(205,298)	Other Long-Term Liabilities	(136,512)
(1,257)	*Liabilities of Associates and Joint Ventures*	(797)
(307,322)	**Long-Term Liabilities**	**(234,213)**
69,270	**Net Assets**	**145,660**
(14,771)	Usable Reserves	(22,323)
(54,499)	Unusable Reserves	(123,337)
(69,270)	**Total Reserves**	**(145,660)**

The unaudited Financial Statements were issued on 28 June 2018 and the audited Financial Statements were authorised for issue on 27 September 2018.

Paula Tovey
Chief Accountant (Interim)
27 September 2018

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 Note1 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 associates and joint ventures have 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 £5.4m (2016/17: £5m).

GRP 4 Group Entities

The accounting period end for these entities are shown below, however the latest available published accounts, at the time the Clackmannanshire Accounts are produced, are included within the consolidation. The dates of these accounts are included below.

The Group Accounts consolidate the results of other entities:
- The Common Good Fund has been consolidated in full as a subsidiary (31/3/18).

The Associates which have been incorporated and shares of total requisitions are:
- Central Scotland Valuation Joint Board – 15.4% (31/3/18)
- Coalsnaughton NHT 2012 LLP – 25% (30/9/17)

The Joint Ventures which have been incorporated and percentage of total shareholdings are:
- CSBP Clackmannanshire Investments Limited – 50% (31/3/17)
- Clackmannanshire & Stirling Integration Joint Board – 25% (31/3/18)

The individual accounts relating to these entities are published separately, and are available from Companies House or the Chief Accountant and section 95 officer, 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.

The Council has accounted for its interest in both Joint Ventures using the 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 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.

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

2016/17 Group Aggregate £'000	2016/17 Council Share £'000		2017/18 Group Aggregate £'000	2017/18 Council Share £'000
4,246	1,055	Long term Assets	5,728	1,428
4,676	1,228	Current Assets	3,721	989
(316)	(77)	Current Liabilities	(379)	(102)
(8,711)	(1,341)	Long Term Liabilities (*including pension liability)*	(5,741)	(884)
(105)	**864**	**Net Assets or (Liabilities)**	**3,329**	**1,431**

2016/17 Group Aggregate £'000	2016/17 Council Share £,000		2017/18 Group Aggregate £'000	2017/18 Council Share £'000
179,422	44,571	Gross Expenditure	184,750	45,890
(182,181)	(45,319)	Gross Income	(183,292)	(45,557)
(2,759)	(748)	**(Surplus) / deficit on provision of services**	**1,458**	**333**
2,254	348	Other comprehensive (income)/expenditure	(3,298)	(507)
(505)	**(401)**	**Total Comprehensive (Income)/Expenditure**	**(1,840)**	**(174)**

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

2016/17 Total Liability £'000	2016/17 Council Share £'000		2017/18 Total Liability £'000	2017/18 Council Share £'000
(8,711)	(1,341)	Central Scotland Valuation Joint Board	**(5,176)**	**(797)**

GRP 6 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.

2016/17 £'000		2017/18 £'000
(637)	(Surplus) / deficit on provision of services Group Entities	419
2,610	(Surplus) / deficit on provision of services Council	960
1,973	**(Surplus) / deficit on provision of services Total**	**1,379**

The following information shows the impact on Reserves of including the group entities on the Balance Sheet:

2016/17 £'000		2017/18 £'000
(2,208)	**Usable Reserves**	(2,311)
	Unusable Reserves	
(3,875)	Capital Adjustment Account	(7)
0	Revaluation Reserve	0
4	Employee Statutory Adjustment Account	3
1,341	Pension Reserve	884
(2,530)	**Total Unusable Reserves**	**880**
(4,738)	**Total Group Entities Reserves**	**(1,431)**