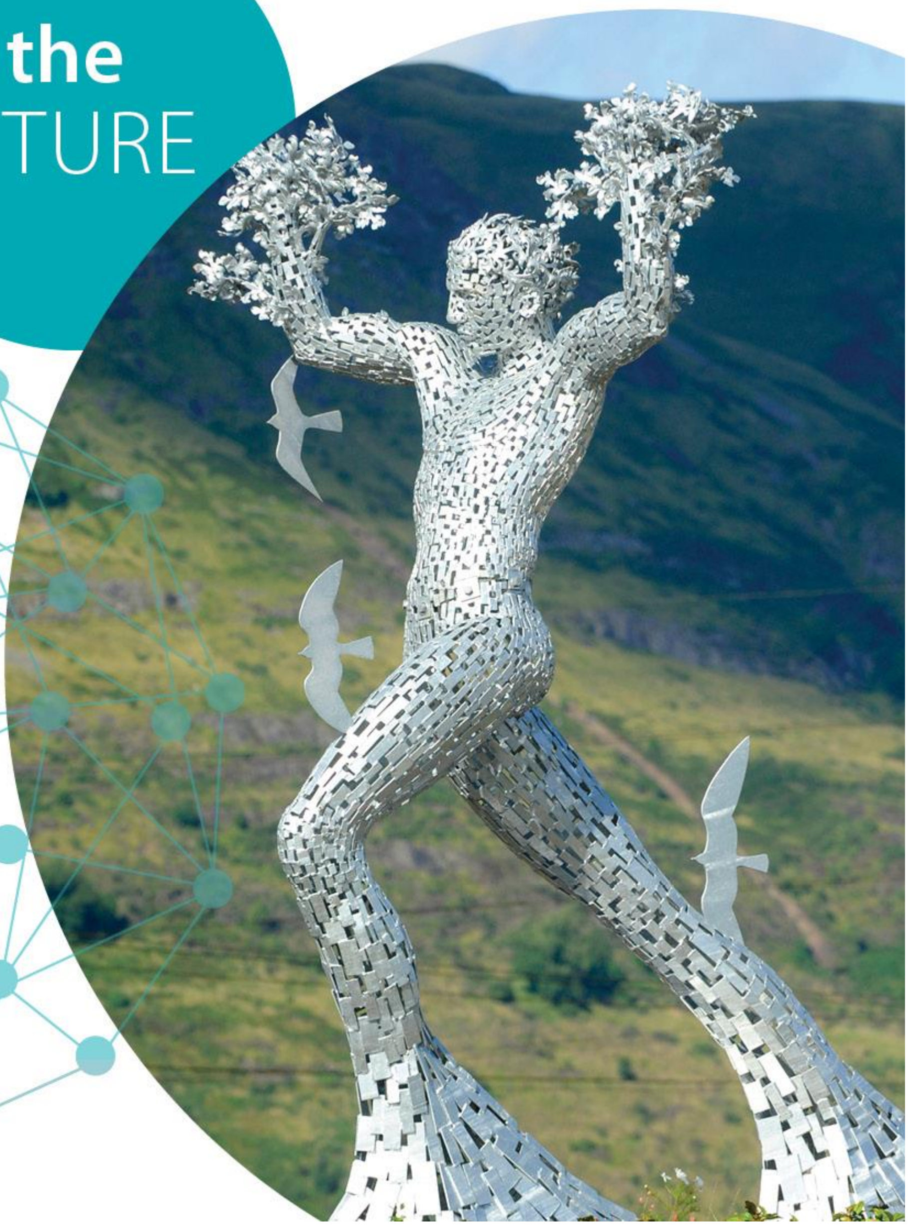
Clackmannanshire Council | Comhairle Siorrachd Chlach Mhanann

www.clacks.gov.uk

Financial Statements

2018–2019

Be the
FUTURE



CLACKMANNANSHIRE COUNCIL
ANNUAL ACCOUNTS 2018/19

Contents **Page No**

Be the
CUSTOMER

Be the
TEAM

Be the
LEADER

Be the
COLLABORATOR

Be the
INNOVATOR

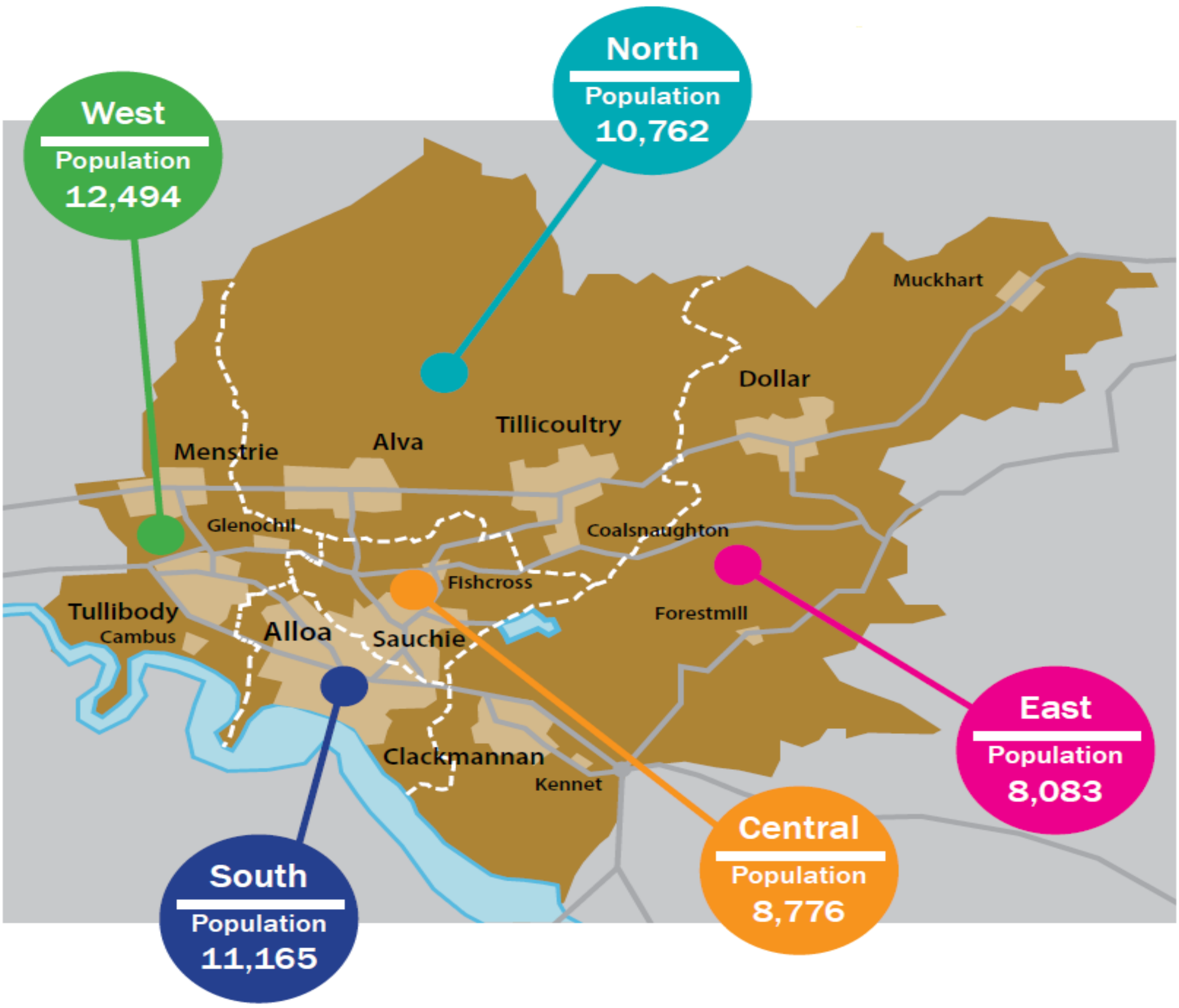
Be the
FUTURE

Management Commentary

Introduction

This commentary sets the scene and context for the Financial Statements for Clackmannanshire Council, for the year ended 31 March 2019 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 is compliant 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.

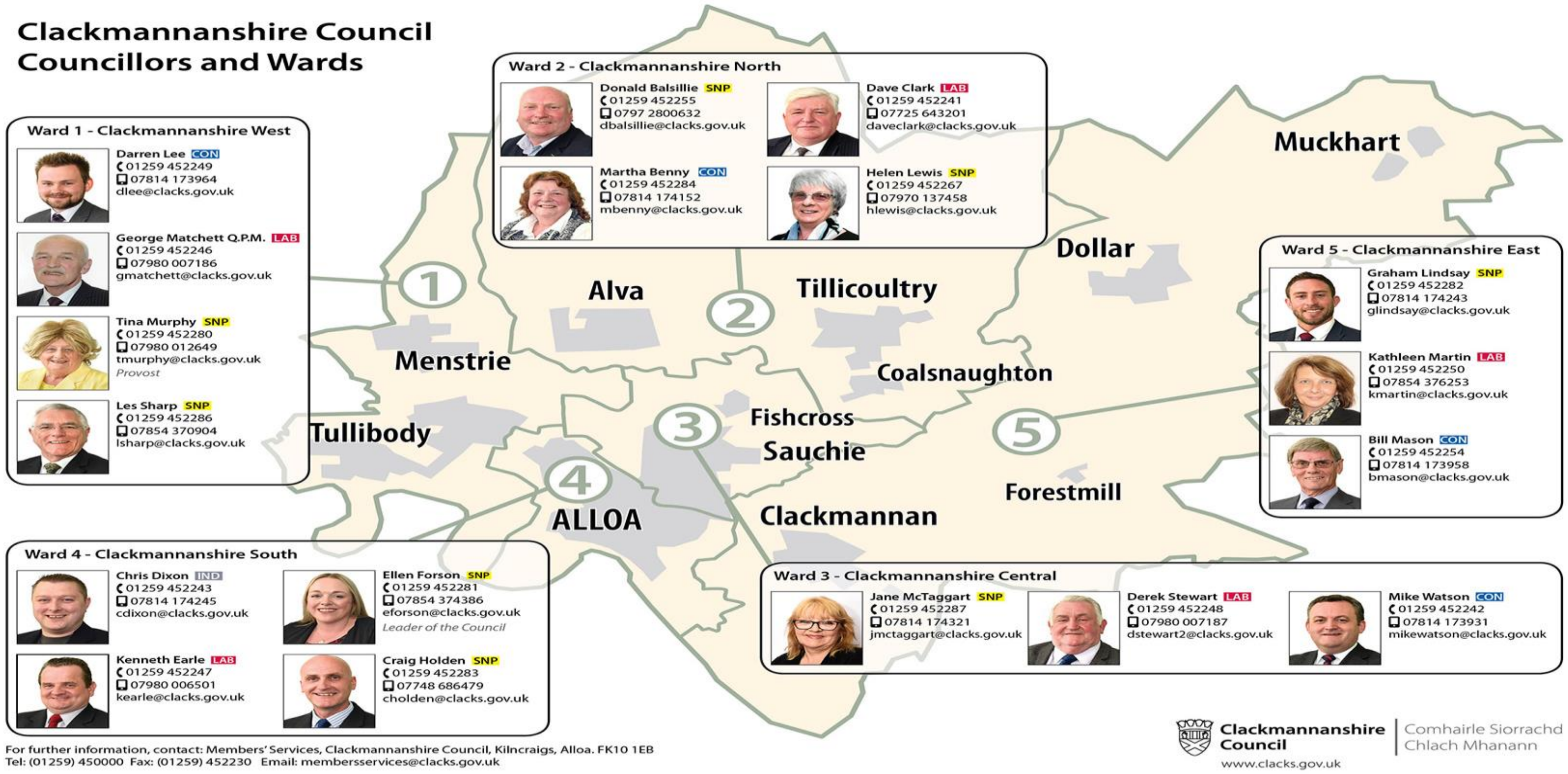
Clackmannanshire is located in Scotland's central belt, sharing administrative borders with Stirling, Perth and Kinross and Fife, and with natural boundaries provided by the Ochils and the River Forth. Clackmannanshire is the smallest mainland Council in Scotland, covering 61 square miles and serving a population of 51,280 (as at 2018). The Council employs 2,793 (headcount) staff (2017/18: 2,802).



Management Commentary

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 2018/19: were 5 Labour, 8 SNP, 1 Independent and 4 Conservative. Information on Senior Councillors can be found in the Remuneration Report commencing page 47.



Management Commentary

Service Areas

During 2018/19, 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 was 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 Head of Paid Service who leads and takes responsibility for the work of 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 2018/19 a restructure of the Council took place to better integrate services and draw out greater efficiencies. The Council consolidated into 3 new service delivery portfolios, each with their own Strategic Director. The portfolios being: People, Place and Partnership & Performance. Committee structures have also been aligned with this managerial structure since August 2018. The 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.

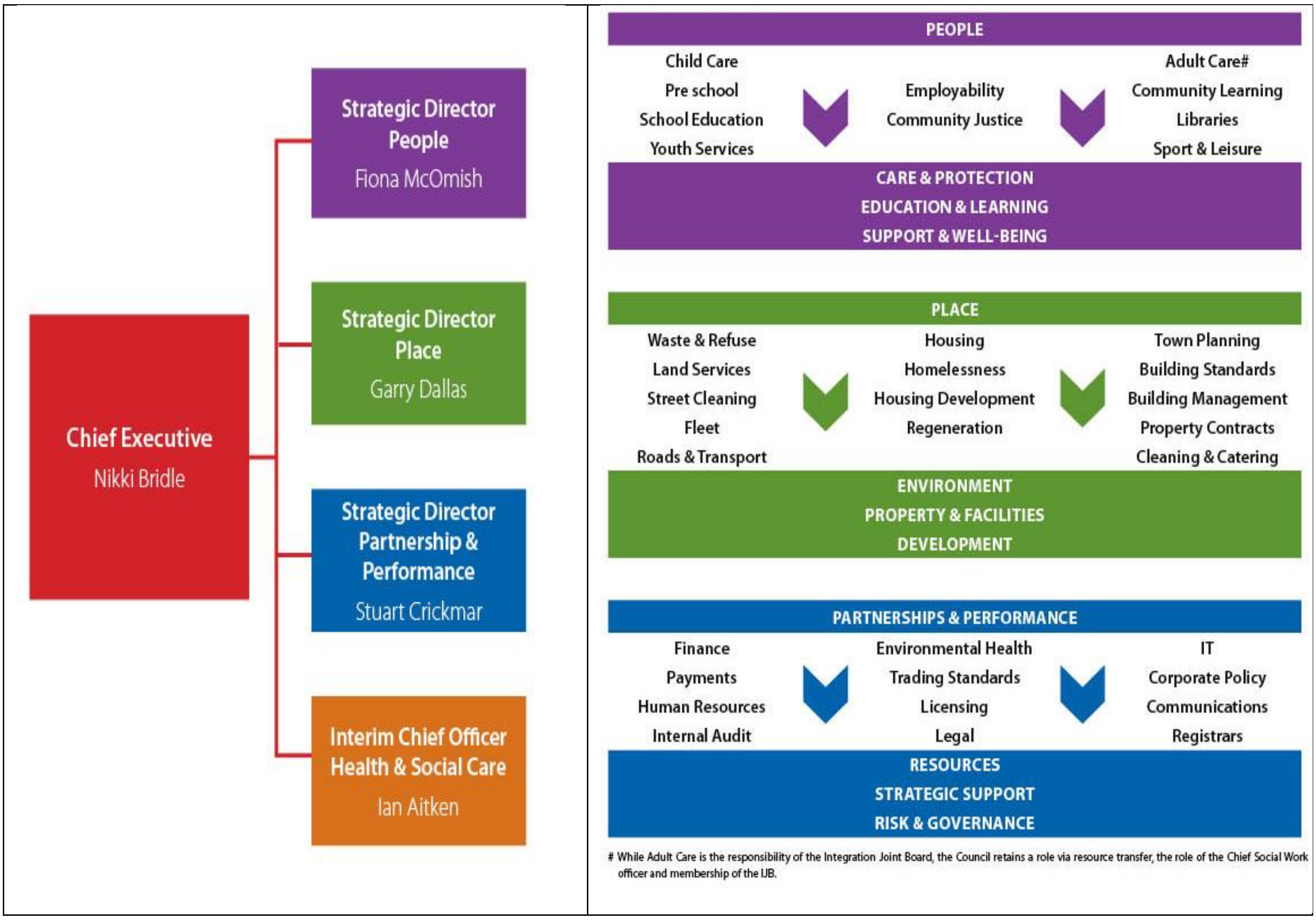
The restructure also introduced a Strategic Leadership Group (SLG) to provide strategic management of the Council, comprising the Chief Executive and three Strategic Directors. Corporate and Service Management is provided by the Extended Senior Leadership Group (ExtSLG), comprising the SLG and the Statutory post holders, including the Chief Officer of the Integration Joint Board (IJB).

Following approval of the new structure, the recruitment process was carried out during 2018/19 with the new postholders taking up post by March 2019. In addition to this, the Chief Officer for Health and Social Care resigned in December 2018 and an interim appointment was made until this post could be recruited to on a permanent basis. This has now been completed with the new Chief Officer taking up post in June 2019. At the end of the year, the Strategic Director for Place also indicated his retirement. Following recruitment to this post, an appointment has been made with the new postholder taking up post in August 2019.

Management Commentary

Management Structure

The Council's Management Structure is set out below:



Management Commentary

The post holders are shown below with appointment or leaving dates as appropriate.

Nikki Bridle

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

Garry Dallas

Strategic Director of Place, formerly Executive Director
(*appointed 27 August 2018)*

Stuart Crickmar

Strategic Director of Partnerships & Performance formerly, Head of Strategy & Customer Services
(appointed 27 August 2018)

Fiona McOmish

Strategic Director of People
(appointed 18 February 2019)

Ian Aitken

Chief Officer- Health & Social Care Partnership (Interim)
(appointed 1 Dec 2018, left 31 March 2019)

Management Commentary

Statutory Officers

Following recruitment of the Strategic Leadership Group, recruitment commenced for the Statutory roles; Section 95 Officer, Monitoring Officer, Chief Education Officer and Chief Social Work Officer. On the successful appointment of the Section 95 officer becoming Chief Executive, the Interim Section 95 role was taken up by Paula Tovey, the Interim Chief Accountant on the 14 May 2018. On 1 February 2019, Lindsay Sim was appointed Chief Finance Officer and Section 95 Officer on a permanent basis. The postholders for all statutory posts are shown below.

Lindsay Thomson — **Monitoring Officer**
(appointed 1 November 2018)

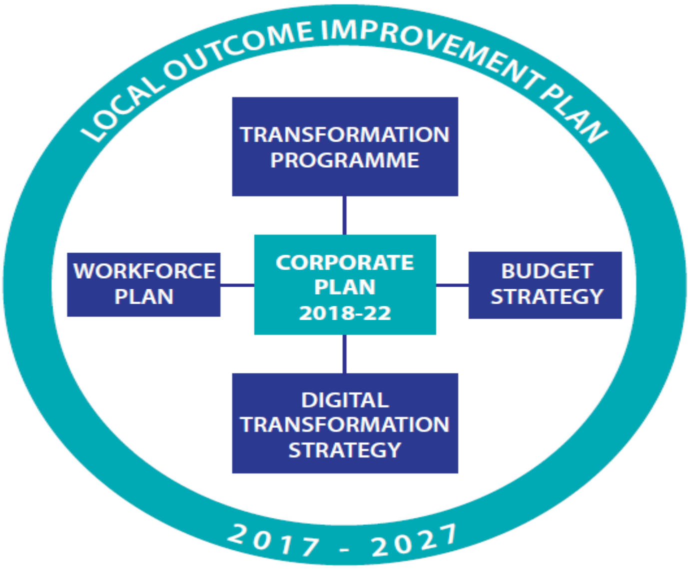
Anne Pearson — **Chief Education Officer**

Lindsay Sim — **Chief Finance Officer (S95 Officer)**
(appointed 1 February 2019)

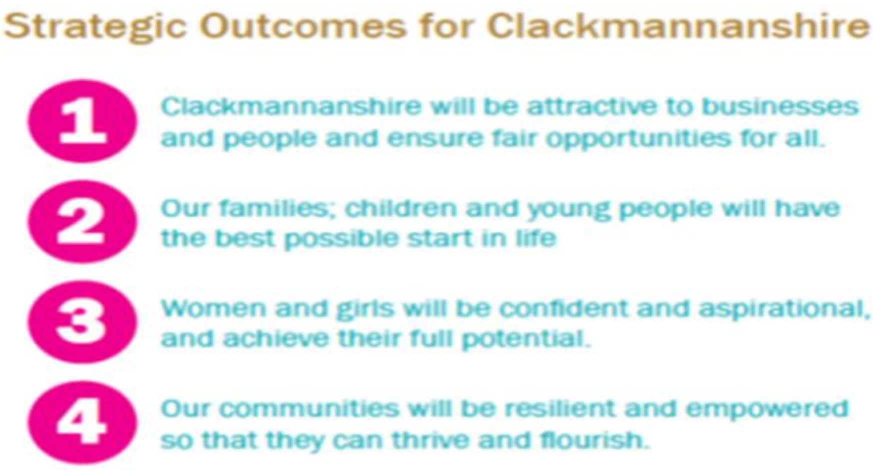
Margaret McIntyre — **Chief Social Work Officer (Acting)**
(from 1 January 2019)

Management Commentary

The **"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. In developing the LOIP, the Alliance chose to focus collective efforts on a core set of priorities based on discussions with partners and communities so that the plan is based on a sound understanding of local need and circumstances. The LOIP is supported by four long term strategic outcomes which will drive the direction of the strategic partnership:



For clarity and consistency the Alliance has chosen to develop these locality plans based on the three 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 10 year plan.

Locality Priorities for Clackmannanshire

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.

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

Management Commentary

Performance

In 2018/19 the Council's gross expenditure was £197m (2017/18 £196m) and this was spent on delivering a wide range of services for communities across Clackmannanshire, which is a growing economy 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 to live and work.

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 Council;
- progress of the change programme, through update reports to Council and Trade Union Forums;
- annual reporting of the Local Government Benchmarking Framework to the Audit Committee:
- Bi-monthly reporting of service performance and risks to each of the 3 portfolio committee meetings; People, Place and Partnerships and Performance, with the Council financial reports going to the Audit Committee;
- reporting of corporate risks to the Audit Committee every six months; and
- review of the Statement of Preparedness which covers those Emergency Planning risks set out in the Community Risk register and developed by the Forth Valley Local Resilience Partnership.

The Corporate Plan

In December 2018 the Council approved a new Corporate Plan 2018-22, entitled 'Be the Future'. This plan sets out the Council's new vision, priorities and values against which all aspects of the Councils work will be measured and aligned.

<table>
<tr><td>Our Vision</td><td colspan="3">We will be a valued, responsive, creative organisation, through collaboration, inclusive growth and innovation, to improve the quality of life for every person in Clackmannanshire.</td></tr>
<tr><td>Our Outcomes</td><td colspan="3">• Clackmannanshire will be attractive to businesses and people and ensure fair opportunities for all.
• Our communities will be resilient and empowered so that they can thrive and flourish.
• Our families, children and young people will have the best possible start in life.
• Women and girls will be confident and aspirational, and achieve their full potential.</td></tr>
<tr><td rowspan="3">Our Priorities</td><td colspan="2">Inclusive Growth, Jobs & Employability</td><td>Reducing Child Poverty</td></tr>
<tr><td colspan="2">Raising Attainment</td><td>Sustainable Health & Social Care</td></tr>
<tr><td colspan="2">Empower Families & Communities</td><td>Organisational Transformation</td></tr>
<tr><td rowspan="6">Our Values</td><td>Be the CUSTOMER</td><td colspan="2">Listen to our customers, communicate honestly and with respect and integrity.</td></tr>
<tr><td>Be the TEAM</td><td colspan="2">Respect each other and work collectively for the common good.</td></tr>
<tr><td>Be the LEADER</td><td colspan="2">Make things happen, focusing always on our vision and outcomes, and deliver high standards of people leadership and corporate governance.</td></tr>
<tr><td>Be the COLLABORATOR</td><td colspan="2">Work collaboratively with our partners and communities to deliver our vision and outcomes.</td></tr>
<tr><td>Be the INNOVATOR</td><td colspan="2">Look outwardly, be proactive about improvement and strive always for innovation and inclusive growth.</td></tr>
<tr><td>Be the FUTURE</td><td colspan="2">Work always towards ensuring that we deliver our vision and live our values, so that we become a valued, responsive Council with a reputation for innovation and creativity.</td></tr>
</table>

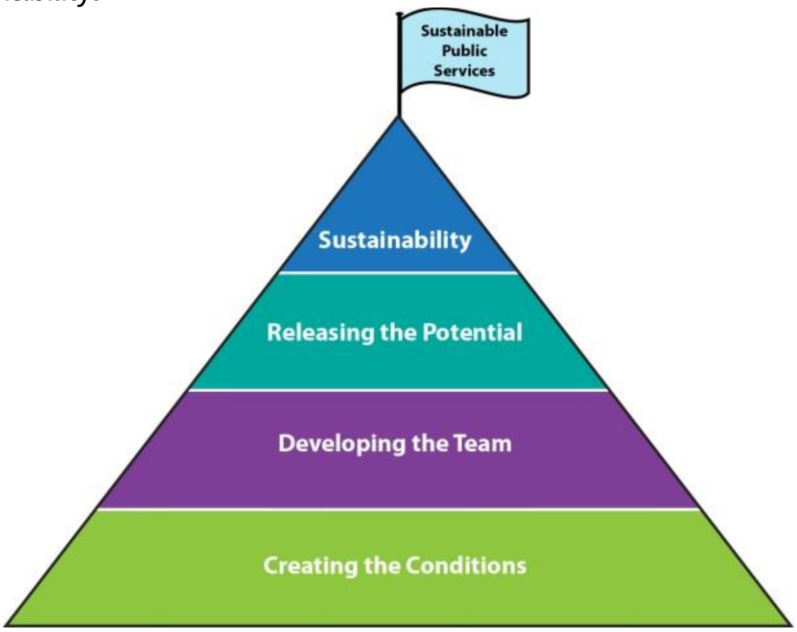
Management Commentary

Organisational Redesign

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 that have been set along with our community planning partners as contained in the LOIP. In these challenging circumstances it is vital that the Council continues to plan ahead and take early action to reduce costs and maximise benefits from all available resources whilst retaining a clear corporate focus.

In line with the LOIP the Council approved a Transformation Strategy in March 2019. This strategy focusses on 'what' the Council needs to do, guiding the focus and delivery of new models of working. In addition to this the organisational redesign framework focusses on the 'how' innovation and transformational change will be delivered.

The diagram below sets out the 4 key phases of activity to move the Council from where it was 12 months ago to achieving sustainable public service delivery in the medium to longer term. The phases are not sequential but will run concurrently alongside delivering day to day service delivery in a challenging financial context. Additionally the Council needs to be able to demonstrate that it is meeting key milestones and learning from its investment on the path to sustainability.



A progress report by the Accounts Commission on Best Value Assurance (June 2019) has been produced that recognises the positive progress being made by the Council since the previous report in 2018. The report also recognises the ongoing challenges in the ability to deliver financial sustainability and this framework will provide a basis on which the progress acknowledged by Audit Scotland can be evaluated. The report sets out a number of recommendations on which the Council has prepared an action plan to take forward.

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 undertake the activities set out in the above diagram.

Management Commentary

Financial Planning
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, such challenging times also provide significant opportunities for real improvement. The Council and its partners are working in a more collaborative way by pooling their collective resources to be more efficient. Similarly, legislative changes are making it easier for communities to become more involved in finding solutions and engage more directly in service delivery.

The Council is continually reviewing its processes and procedures and financial planning continues to adapt to the changing economic climate. Regular medium term financial planning information is reported to Council via Budget Strategy Update reports to ensure that its policy, investment and financial decisions are informed by the wider financial context. The report to Council in June 2019 presented a financial planning scenario which indicated a potential cumulative funding gap of £23.5m by 2022/23. This is clearly a challenging position but one which also provides significant opportunities to look at how services are delivered by the Council and in conjunction with its partners.

As noted above, the Council still faces a significant funding gap of £23m over the next few years, with any unachieved savings adding pressure and increasing the gap in future years. Over the last 3 years the Council has approved £21.6m of savings, however achieving savings year on year is challenging. In 2018/19 the Council achieved £6.3m (87%) of savings from the £7.2m plans put forward in the budget setting process.

During 2018/19, Chief Officers worked closely with the members of each political Administration to develop savings proposals which were included in the 2019/20 budget setting process. 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 expectations.

The 2020/21 budget process will be supported by a new Change Management Board. The Board is made up of members of the Administration and the two opposition groups along with Senior Officers. This Board will approve initial proposals for savings to be taken through to business case development ensuring that proposals are in line with Council Priorities and the Corporate Plan.

Although the financial position is difficult, the management team believe that the implementation of the new structure, along with more robust budget development through the Change Programme Board in 2019/20, will ensure the Council remains financially sustainable. The Senior Leadership Team are also committed to an enhanced profile and robust implementation of financial governance in the coming year.

Health & Social Care

During 2018/19, there has been ongoing investment in Health and Social Care through the Clackmannanshire and Stirling Integration Joint Board (IJB). In particular, the challenging financial position has been a focus and the IJB has looked at how the Partnership 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 2018/19, building on the work already started to look at new and/ or alternative service delivery models.

Further information on the Clackmannanshire and Stirling Health and Social Care Partnership can be found at the following webpage: http://nhsforthvalley.com//about-us/health-and-social-care-integration/clackmannanshire-and-stirling/.

City Region Deal

The Council is actively delivering ambitious plans in a joint City Region Deal with Stirling Council and Stirling University. 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. Focus is 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 and full deal sign off is expected during 2019.

Business Performance

Key Council Achievements

- progress on organisational redesign – the Council has implemented a new management structure and leadership development programme
- City Region Deal – the Council has entered into an ambitious City Region Deal with Stirling Council and Stirling University.
- Best value – the Accounts Commission's Best Value Assurance Progress report on best value recognised significant improvement from the initial report
- A new transformation board has been formed to support the Councils transformation objective to redesign service delivery to achieve service and financial sustainability.

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)	149	75%
Complaints stage 1	131	77%
Complaints stage 2	18	61%
Councillor enquiries	599	90%
MP / MSP enquiries	194	86%
FOIs	1,233	92%

Sickness Absence Rates

Sickness absence rates have improved slightly during 2018/19. In terms of the % of days lost, this has reduced to 4.65% from 5.33% in 2017/18 and average Full Time Equivalent (FTE) days lost per employee has also reduced to 13.2 days from 14.6 days in 2017/18. During 2018/19 the “Maximising Attendance & Wellbeing Policy” awareness sessions continue to be provided for staff which aim to provide a focus on good attendance and update on the policies on managing long term absences. Long term absence as a % of the total absence has reduced from 68% to 66%. Absence continues to be an area for concern within the Council and management of long term cases in line with Council policy is a key focus for managers.

Public Performance Reports

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/.*

Management Commentary

Financial Performance 2018/19

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 2019. 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 the funding received and how this is spent. 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, in 2018/19 the Council has successfully delivered services within budget, which included utilisation of £0.7m of capital receipts. This position, along with consideration of the reserves utilised during the year, results in a decrease in General Fund reserves of £1.1m to £8.6m (2017/18: £9.7m). Of this total, £3.8m (2017/18 £5.9m) is earmarked for specific purposes, leaving £4.8m of uncommitted reserves.

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 £22.8m (2017/18 £17.8m) during the year; the table below shows some of the main projects:

	2017/18	2018/19
	£m	£m
IT Investment	0.50	0.35
Tullibody South Campus	2.50	8.59
Street lighting	1.80	0.20
Clackmannanshire regeneration	1.00	0.10
Roads, foot paths, cycleways etc.	2.30	2.70
Fleet Vehicles	0.60	1.00
Housing - replacement of kitchen/heating	1.40	1.35
Housing - replacement of roofs/windows	-	2.09
Other Projects	7.70	6.38
	17.80	**22.76**

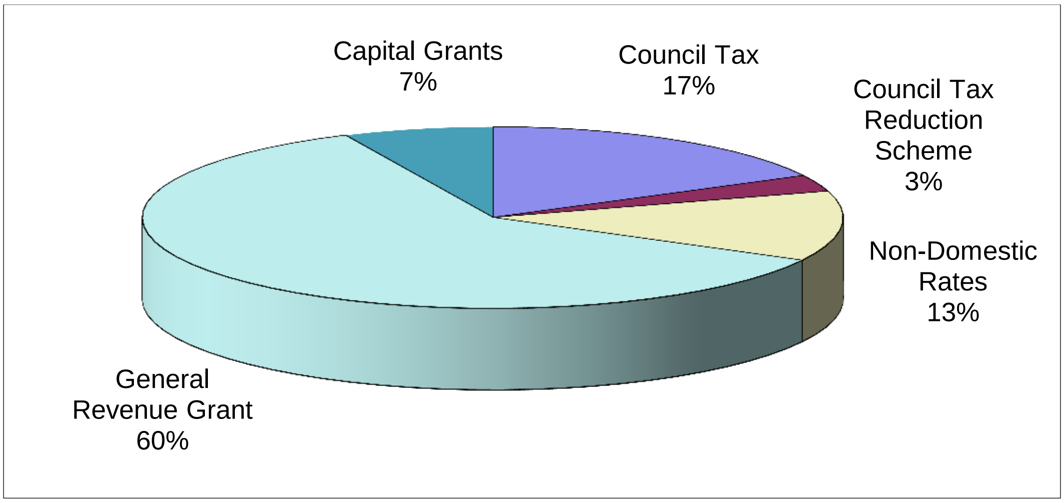
General Fund Results for the year

The General Fund covers all the areas of the Council's service provision with the exception of the management of its own housing stock which is covered within the Housing Revenue Account (HRA). General Fund services are financed by government grant and local taxation (i.e. council tax).

The largest source of funding the Council receives is the General Revenue Grant received from Scottish Government including Non-Domestic Rates (NDR) which amounted to £89.2m for 2018/19, (2017/18 £88.8m). NDR income is collected by local authorities, and remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to Councils within the General Revenue Grant. (This is described in more detail in the National Non Domestic Rates Income Account on page 147).

Income from Council Tax in 2018/19 was £21.3m (2017/18 £20.7m). Funding was also received from the Scottish Government for the Council Tax Reduction Scheme for which the Council received income of £3.6m (2017/18 £3.6m). In 2018/19 capital grants totalled £8.5m (2017/18 £9.8m), of which, £0.037m (2017/18 £0.2m) was transferred to Common Good and third parties. The proportions of funding received by the Council in each of these categories are shown in the following chart and table:

Proportion and source of funding received in 2018/19



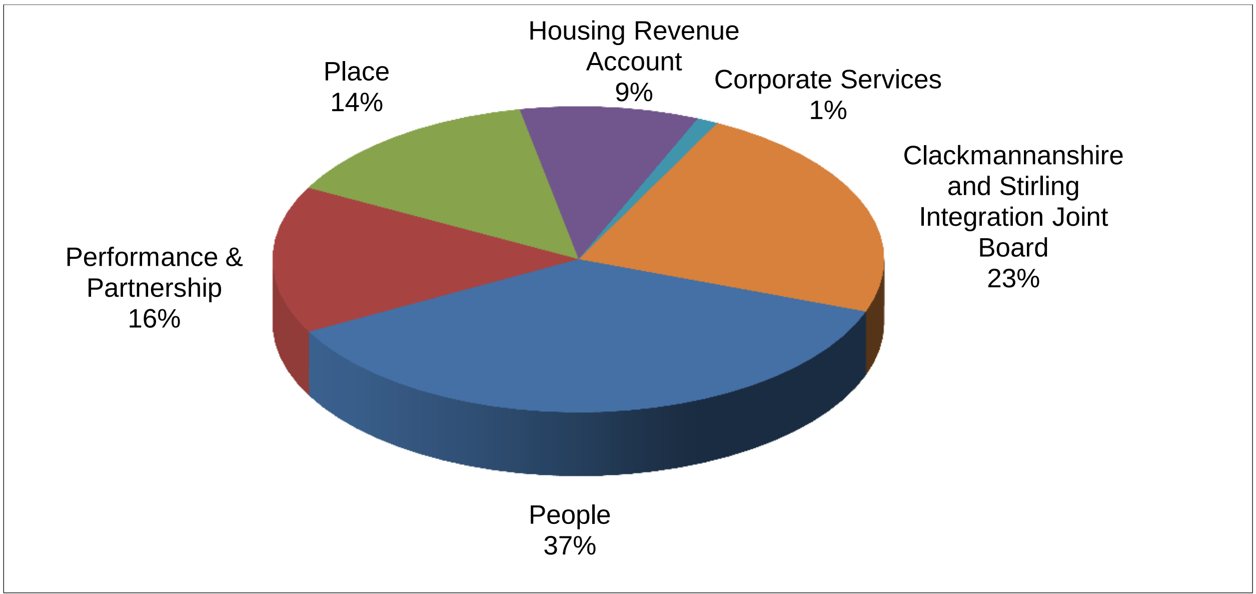
	2018/19	
Sources of Income	**£'000**	%
Council Tax	21,313	17.4
Council Tax Reduction Scheme	3,626	3.0
Non-Domestic Rates (plus BRIS)	15,326	12.5
General Revenue Grant	73,946	60.2
Capital Grants	8,496	6.9
	122,707	100

Council Revenue Expenditure Summary

Proportion of 2018/19 Revenue Expenditure by Service

In 2018/19 the total operating expenses for service delivery was £197m (2017/18 £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 portfolio with the People portfolio having the highest level of spend.



Outturn Position

At the end of the year, the Council reported an underspend of £2.595m on its management accounts, an increase of £1.551m than previously forecasted as at December 2018. Included within the final underspend is a number of earmarked underspends for areas of ring-fenced spend such as Pupil Equity Funding, Devolved School Management and Early Learning and Childcare that are not recognised until the year end. This corporate position also did not include the forecasted overspend for the Health and Social Care of £1.1m on its £16.4m budget. To cover this overspend the partners have agreed to contribute additional one-off funding, based on voting shares to cover the short fall. Clackmannanshire's share of this is £0.613m (25%) and this is reflected in the final outturn underspend position of £2.595m.

The outturn position per the Management Accounts per portfolio area as reported to Committee is shown below.

Council Summary 2018/19	Annual Budget 2018/19 £'000	Actual to March £'000	Variance Budget to Actual £'000
People	66,002	64,260	(1,742)
Place	17,436	16,611	(825)
Partnership & Performance	12,475	11,533	(942)
Health & Social Care Partnership	16,041	16,654	613
Corporate Services	10,335	10,507	172
Central Scotland Valuation Joint Board	381	381	0
	122,670	119,947	(2,723)
Sources of Funding	(118,236)	(118,108)	128
	4,434	1,839	(2,595)

Council Reserves

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

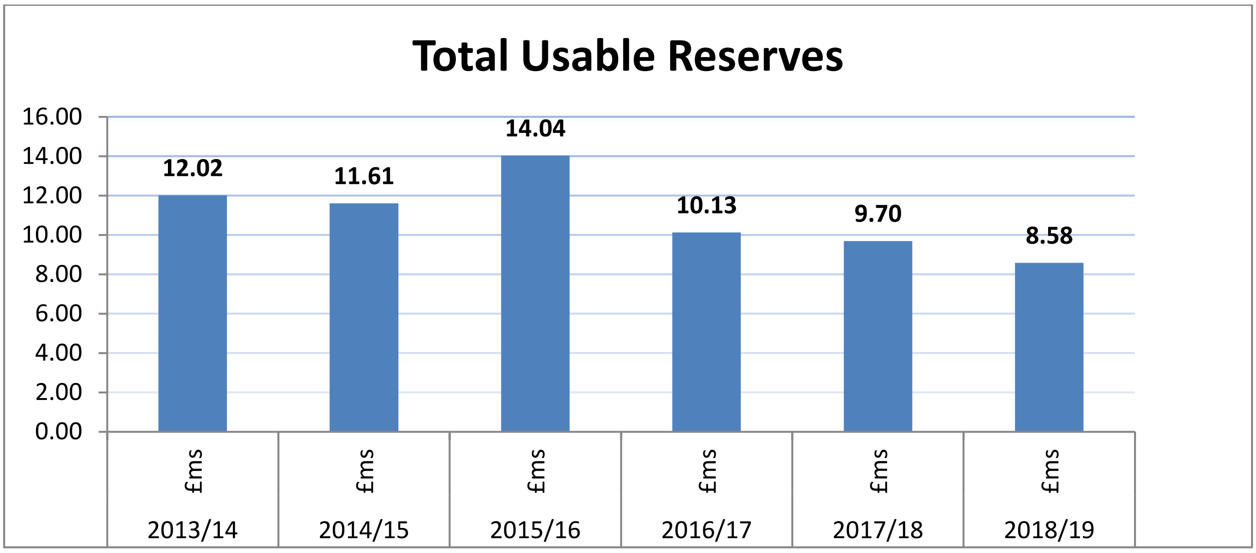
2018/19 Summary of Council reserves

	General Fund Balance £'000	**Housing Revenue Account £'000**	**Capital Receipts Reserve £'000**	**Insurance Fund £'000**	**Capital Grants & Receipts Unapplied £'000**	**Total £'000**
As at 1 April 2018	**(9,714)**	**(2,559)**	**(3,058)**	**(1,274)**	**(3,398)**	**(20,003)**
Comprehensive Income & Expenditure	5,011	714	-	-	-	**5,725**
Adjustments between funding & accounting basis	(2,941)	(2,241)	(963)	-	373	**(5,772)**
Transfers	(937)	364	424	(27)	212	**36**
As at 31 March 2019	**(8,581)**	**(3,722)**	**(3,597)**	**(1,301)**	**(2,813)**	**(20,014)**

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 remain at £20m (2017/18 £20m) at 31 March 2019.

Total Usable Reserves

In 2018/19 the General Fund reserve has decreased to £8.6m (2017/18: £9.7m). Total usable reserves have fallen between March 2014 and March 2019 by £3.4m or 28%, reflecting the ongoing cost pressures and reduced funding faced by the Council.



Committed (Earmarked) General Reserves

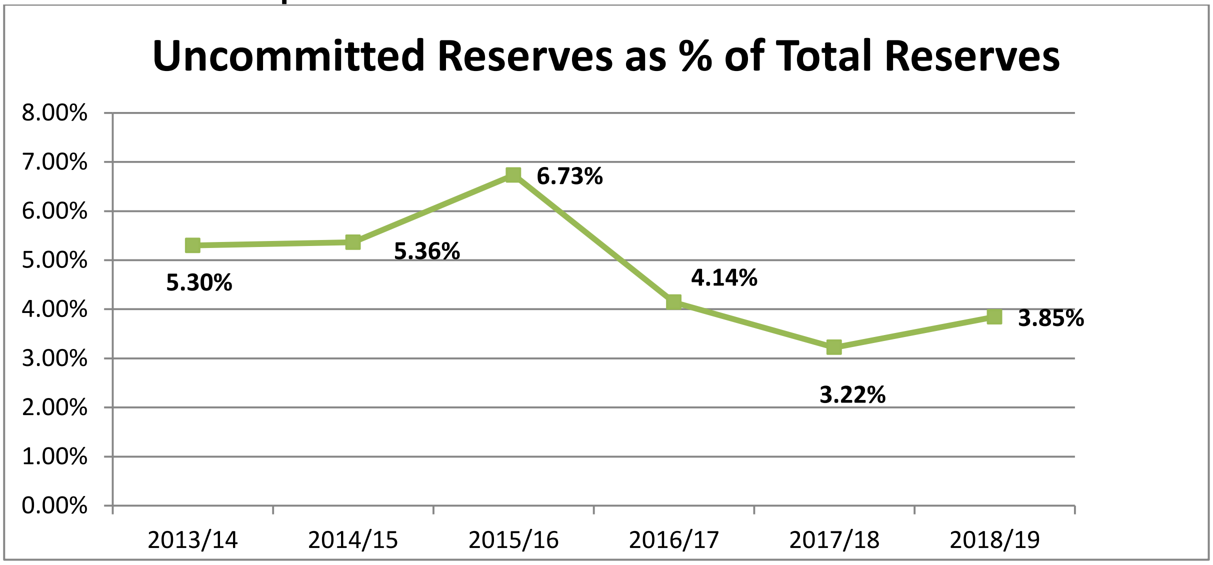
Of the £8.6m general usable reserves, £3.8m is earmarked for specific purposes, either by individual services or to meet corporate liabilities. The committed balance can be summarised as follows:

	2017/18	2018/19
	£'m	£'m
Devolved School Management	(0.3)	(0.3)
Organisational Change Fund	(0.4)	(0.3)
Employment Fund	(1.9)	(1.1)
City Deal	(0.1)	(0.1)
Sum approved in support of 2018/19 budget	(1.0)	-
Pupil Equity Funding (PEF)	(0.7)	(0.7)
Early Learning & Childcare (ELCC)	-	(0.1)
Ring-fenced Housing Grants	(0.6)	(0.6)
Other Miscellaneous Commitments	(0.9)	(0.6)
Net Committed Reserves	**(5.9)**	**(3.8)**

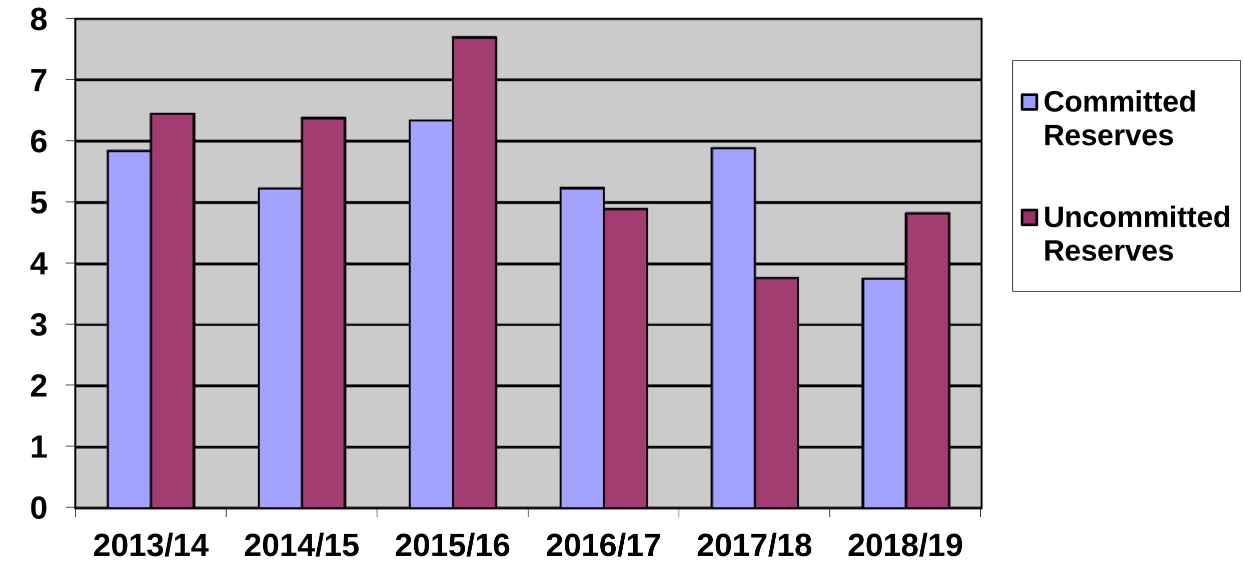
The uncommitted element of General Fund Reserve at 31 March 2019 which is generally available to support future expenditure, stood at £4.8m (2017/18 £3.8m). The Council's Reserves Strategy stipulates that it should retain uncommitted reserves at a minimum level of 3% of net expenditure. The current reserves represent a level of 3.8% (2017/18 3.2%).

The movement in the Council's uncommitted reserves position compared to total reserves since March 2014 is shown below:

Trend in reserves position 2013/14-2018/19



Level of Committed and Uncommitted Reserves 2013/14 to 2018/19
£'ms



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.

Management Commentary

Financial Indicator	Notes	2017/18	2018/19
Reserves			
Uncommitted General Fund Reserve proportion of Net Expenditure	1	3.2%	4.02%
Movement in the Uncommitted General Fund Balance	2	(21.81)%	26.12%
Council Tax			
In-year collection rate	3	96.14%	95.91%
Ratio of Council Tax Income to Overall Level of Funding	4	16.81%	17.37%
In Year Expenditure			
Actual Outturn compared to Budgeted Expenditure	5	95.20%	97.88%
Actual contribution to/from Unallocated General Fund Balance compared to Budget.		8.3%	0.5%
Debt/Long-term Borrowing			
Capital Financing Requirement (CFR) for the current year	6	£144.8m	£144.9m
External Debt Levels for the current year		£143.3m	£137.2m
Ratio of financing costs to net revenue stream	7	8.39%	8.32%

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 in-year underspend and a release of committed reserves following a review of requirements.*

3 *Reflects the Council's effectiveness in collecting Council Tax debt and financial management. This small 0.23% decrease means that the Council has slightly reduced from last years highest in-year collection rate to date. This is a result of the tight financial conditions within the economy.*

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 2018/19 on General Fund Services (including operational Common Good properties) was £17.6m (2017/18 £11.4m) and on Housing was £5.2m (2017/18 £6.4m).

Expenditure	£'m	Financed by	£'m
Property Asset Management Strategy	13.291	Government grant & contributions	**9.405**
		Capital Receipts	**0.037**
Roads Asset Management Strategy	2.892	Capital financed from revenue	**4.675**
		Borrowing	**8.640**
Housing Business Plan	5.195		
Lands Assets Management Strategy	0.085		
Fleet Asset Management Strategy	1.003		
IT Asset Management Strategy	0.291		
	22.757		**22.757**
Capital programme underspend	**9.831**		
Capital Budget	**32.588**		

During 2018/19 the Council invested £22.757m in Capital projects, £22.720m of this expenditure was on Council assets and £0.037m was granted to third parties including Common Good. Capital expenditure in the year has been financed by capital receipts (£0.037m), government grants and contributions (£9.405m) and direct revenue funding (£4.675m) leaving a balance of (£8.640m) required to be financed from borrowing. This borrowing was undertaken from cash balances

At the end of the year there was an overall underspend of £9.831m on the budgeted programme. £6.142m of this related to the general fund and was due to several large projects covering multiple years. The project for the development of Tullibody South Campus underspent in the year by £2.282m due to the re-phasing of the spend across the project life and the Clackmannanshire Regeneration Programme which underspent in the year by £0.859m due to complexities in the development stages of the projects. In the HRA the underspend was £3.689m, with £0.703m for roof & render, £0.812m for house purchases, £0.577m for windows and £0.623m for energy efficiency. A number of smaller projects underspends totalled £0.974m.

In recent years the total capital budget has not been fully utilised with underspends ranging from 52% to 70% of the budget. In 2018/19 the underspend has improved to 30.2% (2017/18 36.2%) of the budgeted spending level, however, work continues to refine the capital planning process. A Capital Strategy will be published in 2019/20 setting out the priorities for the next 5-10 years, this should also ensure that planning and spend are better aligned going forward.

Capital Receipts, Grants and Contributions

Receipts held in the capital receipts reserve total £3.597m. £2.559m of these receipts have been earmarked to support delivery of the Council's 2019/20 budget and the continuation of the Council's organisational redesign programme in the funding of the statutory element of voluntary severance. An amount of £2.813m was also held in the capital grants and receipts unapplied account at the year end that will be utilised during 2019/20.

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 £6.1m against a budgeted surplus of £5.2m. From this surplus a revenue contribution to capital of £4.6m was made in accordance with the Housing Business Plan to achieve the Scottish Housing Quality Standard and the Enhanced Clackmannanshire Standard. A contribution of £0.016m was also made to the General Fund for an IT Project and a transfer of £0.4m in respect of the purchase of houses.

This has resulted in an increase of £1.1m 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 £3.7m as at 31 March 2019. 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 £5.2m 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 97.73% compliant.

The average time taken to complete non-emergency repairs is now just over three days, and almost 95% 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, 97% were satisfied.

Annual Risk Assessment 2018/19 – Scottish Housing Regulator
This year the Scottish Housing Regulator has introduced a new Annual Assurance Statement that is required to be completed by all authorities. The Council has identified this as a Risk in the Business Plan and will submit this by the October 2019 deadline.

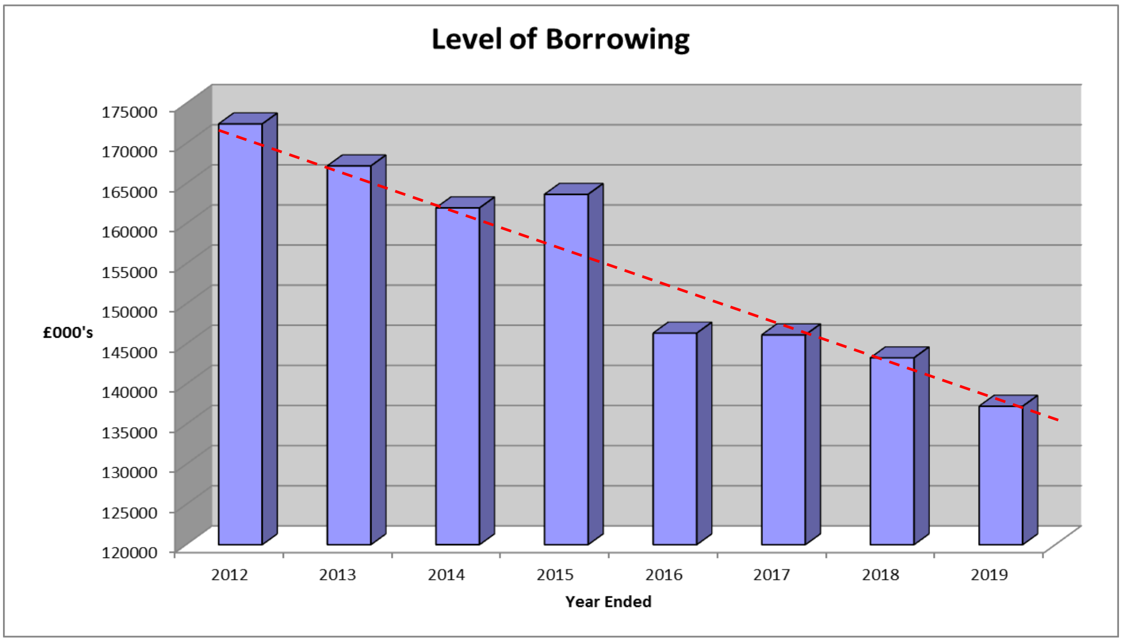
Debt

The Council's gross external debt as at March 2019 which supports its investment and development of long-term assets totals £137.2m consists of:

	2018/19 £m
External Borrowing	96.8
PFI and other finance leases	40.4
	137.2

This is a decrease of £6.0m on the previous year's external debt position of £143.2m. This movement is made up of £5.071m repayments towards external borrowing and repayments of £0.968m towards PFI and other Finance leases. The Council continues to work towards reducing the overall external debt in line with its policy set out in the Treasury Management Strategy.

In the year, £8.8m (2017/18 £9.0m) external interest and principal repayments of £7.4m were paid in relation to this borrowing.



Overall there has been a reduction in cumulative external debt of 20% between 2012 and 2019, showing that over the longer term the Council is not increasing its level of debt to finance its capital programme. Repayments towards PFI and finance leases also continue to reduce the Council's overall level of external debt on an annual basis.

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 2019 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 2018/19 set by Council on 8 March 2018 and the Annual Treasury Report 2018/19 presented to Council on 27 June 2019.

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 2019 is £40.2m and this sum is included within the Council's overall borrowing position referred to above.

The unitary charge paid to the operator in 2018/19 was £8.1m (2017/18: £7.4m) 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.

Net Pension Liability

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at 31 March 2019 disclosed a deficit of £121.0m (2017/18 £95.5m). This increase in liability is primarily due to a reduction in the discount rate which is determined on a prescribed basis and an increase in inflation and salary inflation. The calculation is prepared for the purposes of International Accounting Standard 19 (IAS 19) reporting requirements and is not relevant for funding purposes i.e. does not have a direct impact on council tax or housing rent payers. This is simply a snapshot of the position at that time. The latest long-term triennial funding valuation of the Fund for the purpose of setting employers' actual contributions was at 31 March 2017 and contributions to the fund continue in line with current actuarial advice which is consistent with our planned annual stepped increases.

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 2019, three 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. They arise 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. They 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 2018/19, four contingent liabilities are disclosed, see Note 37. The Council has no material contingent assets at the Balance Sheet date.

Management Commentary

Business Environment and Risks

A key economic variable during 2018/19 and going forward into 2019/20 continues to be the impact of Brexit on the UK economy.

On the 2nd May the Bank of England (BoE) released its latest quarterly report on inflation. Interest rates were expected to rise to 1% by March 2019 in line with expected growth in the economy, however, growth rates have remained low with interest rates only increasing once in 2018/19 to 0.75% on the 2nd August 2018. The Monetary Policy Committee (MPC) have maintained rates at 0.75% to date with the next forecasted rate rise early in 2020.

The target for Inflation remains at 2%, with the economic outlook continuing to depend on the nature and timing of the UK withdrawal from the EU and if a trade deal is secured, how this will impact on households, businesses and financial markets. The MPC's central projection for growth is that it will stabilise around the current rate and begin to pick up after Brexit uncertainties subside, expecting to rise to over 2% over the next two years. GDP is also expected to continue to build (albeit slowly) on growth already seen in first quarter of 2019 as a result of stockbuilding ahead of Brexit decisions.

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, pay negotiations have resulted in the public sector pay restraint being lifted, with a 3 year deal agreed for 2018-19 to 20-21. This has put additional pressure on pay budgets over the course of this three year period and assumptions are that further increases are likely going forward.

A report issued by the Scottish Fiscal Commission (SFC) on the 30th May 2019 stated that despite the exceptional political uncertainty, the growth rate of the Scottish economy increased over 2017 and 2018. At around 1.3% over the last year, economic growth is higher than the average 1% growth experienced since 2010. Despite this level of sustained growth, the Scottish outlook for 2019 and 2020 also reflects the uncertainties around Brexit with limited growth forecast. Business investment fell during 2018 which is expected to continue for the next two years. Based on this along with low levels anticipated in consumer spending, growth is estimated to be 0.8% in 2019 and 0.9% in 2020, increasing back to average levels of 1.2% from 2021.

The SFC's latest forecasts continue to suggest that economic growth will be lower in Scotland than the UK as a whole over the next five years. The table below sets out the latest headline economic forecasts by the Scottish Fiscal Commission (SFC).

Headline economic forecasts (calendar year basis)

GDP	2018	2019	2020	2021	2022	2023	2024
December 2018	1.4	1.2	1.0	1.0	1.1	1.2	
May 2019	1.3	0.8	0.9	1.1	1.2	1.3	1.3
Average nominal earnings							
December 2018	2.0	2.3	2.5	2.8	3.0	3.1	
May 2019	2.6	2.6	2.7	2.9	3.1	3.3	3.2
Employment (millions)							
December 2018	2.64	2.65	2.65	2.66	2.66	2.66	
May 2019	2.67	2.68	2.68	2.69	2.69	2.69	2.70

The next Scottish Budget is expected to be a 3 year settlement which should help to inform medium term financial planning and get a clearer sense of the Scottish Government's spending priorities. This is dependent on the UK Governments ability to publish a three year settlement and may need to be updated for any post Brexit impacts. As previously highlighted, it is also anticipated that the greatest pressure over the current Spending Review Period will continue to fall on day to day revenue expenditure.

As in recent years, this operating environment presents the key challenge of developing and sustaining medium to longer term financial planning. As for the wider public sector, a key area of uncertainty for the Council remains the future levels of funding it will receive. Given this operating context, the preparation of medium to long term financial plans are subject to a number of key risks and uncertainties which will have an impact on budget assumptions. With funding at best, static and the prospect of cash reductions in the next few years, managing the effects of inflation will be a challenge for the public sector. This alongside the prospect of raised expectations in respect of continuing wage inflation, following pay restraint in recent years, there are increasingly frequent reports of above inflation pay increases in the private sector.

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.

Management Commentary

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 and new responsibilities.

Principal Risks and Uncertainties

Along with the challenge of financial resilience, the council also faces a number of non-financial risks impacting on communities including; welfare reform, unknown terms of EU withdrawal, inability to respond to changing demographics and the pace and scale of organisational change and delivery of services.

Risks have also been identified in relation to the internal workforce including; health and safety non-compliance and IT system failure. These risks are set out within the Annual Governance Statement along with progress and areas for improvement.

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 and the financial objectives prescribed. The Council progressed major strategic initiatives such as the new Tullibody Campus, City Region Deal, Organisational 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 its 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 2018/19 Financial Statements.

Ellen Forson	**Lindsay Sim**	**Nikki Bridle**
Leader of the Council	**Chief Finance Officer**	**Chief Executive**
26 September 2019	**26 September 2019**	**26 September 2019**

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 Finance Officer;

- manage its affairs to secure economic, efficient and effective use of resources and safeguards its assets;

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

- approve the annual accounts for signature.

I confirm that the annual accounts were approved for signature by Council at its meeting on 26 September 2019.

Signed on behalf of Clackmannanshire Council

Ellen Forson
Leader of the Council
26 September 2019

Statement of Responsibilities

The Chief Finance Officer's Responsibilities

The Chief Finance Officer 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 Finance Officer has:

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

The Chief Finance Officer 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 2019.

Lindsay Sim
Chief Finance Officer
26 September 2019

Annual Governance Statement

Introduction

The purpose of the Annual Governance Statement (AGS) is to provide assurance to the people of Clackmannanshire, Elected Members, staff, partner agencies and other stakeholders that the Council's corporate governance arrangements are robust and effective.

Corporate governance refers to the approaches we have in place, set out in our Local Code of Governance, to ensure that the Council:

- is well run;
- operates in a lawful, open, inclusive and honest manner;
- manages resources effectively, and
- provides a high standard of service to our customers.

The AGS explains the extent to which the Council has complied with its code of governance during 2018/19, the progress it has made on improvements identified in last year's AGS, and improvement actions planned for 2019/20. This provides transparency, and gives assurance that the Council is committed to continuously improve the way in which it functions.

Local Code of Governance

Clackmannanshire Council's Local Code of Governance was reviewed during 2018 and a revised code was approved by Council in February 2019. The new code consists of the key approaches that determine how the Council is directed, controlled, led and held to account, including the culture and values that shape the decision-making and behaviour of councillors and employees.

The Local Code is shaped by the "Delivering Good Governance in Local Government Framework" (CIPFA, 2016). The Local Code elements, and how they relate to the CIPFA good governance principles, is shown overleaf. The code is underpinned by a framework of systems and processes, based on legislative and regulatory requirements, guidance and good practice principles that guide our day to day activities.

Annual Governance Statement
Local Code of Governance, linked to CIPFA good governance principles

		A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	B. Ensuring openness and comprehensive stakeholder engagement	C. Defining outcomes in terms of sustainable economic, social and environmental benefits	D. Determining the interventions necessary to optimise the achievement of the intended outcomes	E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	F. Managing risks and performance through robust internal control and strong public financial management	G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Leadership, values and culture	Scheme of Delegation	✓			✓	✓	✓	
	Council Standing Orders	✓			✓	✓	✓	
Strategy and performance management	Council Corporate Plan			✓	✓		✓	
	Performance Management Framework				✓		✓	✓
	Corporate Risk Management Guidance	✓	✓		✓	✓		
Working in Partnership	Alliance Governance Framework & Memorandum of Understanding (MOU)			✓	✓			
Communication and engagement	Communication Strategy		✓		✓			✓
Sustainable asset management	Sustainability & Climate Change Strategy				✓		✓	
Financial management	Financial Regulations	✓	✓				✓	✓
Information and knowledge management	Information Strategy	✓				✓		
People management	Strategic Workforce Plan	✓				✓		

Leadership, values and culture

The **Scheme of Delegation** sets out the duties and responsibilities of the Council, its committees, sub-committees and officers. It explains the key functions of senior officers, including statutory posts, and explains their roles in ensuring that processes are in place for enabling the Council to meet its statutory obligations and also in providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

Councilors in Clackmannanshire Council take decisions at each Council and Committee meeting about a wide range of issues affecting the area, its residents and local businesses. Members of the public are welcome to attend the meetings to see how decisions are made.

Meeting agendas and minutes are available on the Council website.

Council Standing Orders set out the framework within which the Council conducts its business, and includes the timing of Council meetings, the order of business, rules of debate and matters of procedure.

Strategy and performance management

A revised **corporate plan** was agreed by Council in December 2018. " Be the FUTURE" sets the vision, values and strategic direction for the Council and will influence all Council plans, strategies and resourcing decisions, as well as shape organisational workforce planning, including leadership development activity over the period to 2022.

The plan is aligned with Clackmannanshire's LOIP, and as such represents the Council's intent by way of contribution to stated community planning partnership outcomes.

Local Government Benchmarking Framework 2017-18

Overall average ranking

24th

out of 32 local authorities

The Council's **Performance Management Framework** covers the strategies, plans and reports that take direction from the LOIP and corporate plan to make sure that resources are focused on Council priorities. Progress and performance are reported publicly and to regulatory bodies and the Scottish Government.

Annual Governance Statement

Our Values

Be the customer	Listen to our customers, communicate honestly and with respect and integrity.
Be the team	**R**espect each other and work collectively for the common good.
Be the Leader	Make things happen, focusing always on our vision and outcomes, and deliver high standards of people leadership and corporate governance.
Be the collaborator	Work collaboratively with our partners and communities to deliver our vision and outcomes.
Be the innovator	Look outwardly, be proactive about improvement and strive always for innovation and inclusive growth.
Be the future	Work always towards ensuring that we deliver our vision and live our values, so that we become a valued, responsive Council with a reputation for innovation and creativity.

Corporate **Risk Management Guidance** explains the principles, processes and scrutiny arrangements used by the Council for managing risk.
Senior management identify the key risks to the Council achieving the outcomes set out in the Council Plan. These are assessed together with the controls we have in place to manage the risks, and mitigating actions are agreed to bring the risks within a tolerable range. A similar process is carried out within services. Risk registers are regularly reviewed and challenged by senior management and Members.

Key Corporate Risks 2018/19

- Insufficient financial resilience
- Insufficient pace and scale of organisational change
- Health & safety non compliance
- Council & community impact of welfare reform
- Major governance failure
- Failure of public utility supply
- Unknown terms of EU withdrawal
- Inability to respond to changing demographics
- Failure to prevent extremism and/or radicalisation
- It system failure
- Information not managed effectively
- Failure to address serious organised crime
- Industrial unrest
- Failure to prepare for severe weather events
- Harm to child(ren)
- Inadequate workforce planning
- Public health emergency

Working in Partnership

The **Alliance Governance Framework & Memorandum of Understanding**
The Clackmannanshire Alliance agreed a new partnership structure and governance arrangements in December 2018 to align with the Local Outcome Improvement Plan 2017/27. These arrangements were set out in the Memorandum of Understanding (MOU) which was revised by partners in March 2019 and the final sign off is expected in June 2019. The final MOU will be made available on the Council website and issued to all partners once signed off.

Communication and engagement

The Corporate Communications & Marketing Strategy aims to ensure that:
- both internal and external communications and marketing approaches are effective and responsive to the needs of all groups, and
- digital communications develop in line with advancing technology and customer needs.

The Corporate Communications & Marketing Strategy is to be refreshed during 2019.

We use the online survey tool Citizen Space to consult on issues such as service satisfaction, policy proposals and strategies. During 2018/19, 122 surveys were done using this method, including the annual Budget survey, which received over 700 responses.

Sustainable asset management

The Council's **Environmental Policy** is incorporated into the Sustainability & Climate Change Strategy. It sets out Council commitments to continuously improve its environmental performance and take the lead in encouraging others in Clackmannanshire to do the same.

There is also a number of asset management plans covering, for instance, buildings, vehicles and ICT equipment. These generally aim to ensure that all assets are:
- fit for purpose;
- used efficiently, maximising value for money;
- environmentally and energy efficient and contribute to delivering reductions in greenhouse gas emissions, and
- employed flexibly and responsibly

Financial management

Financial Regulations set out roles and responsibilities in relation to financial management, to ensure the highest standard of probity in dealing with public money and to assist and protect staff in such dealings. Underpinning guidelines and instructions ensure robust and effective financial control.

Financial Regulations were reviewed and updated in 2019.

Information and knowledge management

The aim of the **Information Strategy** is that the right information is available to the right people, at the right time, to support and inform effective decision making, while ensuring appropriate storage, access and protection of information and data.

Our focus in 2018/19 has been on implementation of the General Data Protection Regulation (GDPR). An audit of GDPR arrangements was carried out by Internal Audit during 2018, and found limited assurance in relation to the clarity of accountability arrangements, roles and responsibilities, and project planning and management arrangements, and substantial assurance in relation to communication and awareness-raising.

People management

The draft Strategic Workforce Plan sets out the Council's workforce planning priorities, which are to:

- Create a positive and inclusive organisational culture;
- Have a sustainable and resilient workforce;
- Ensure our workforce feels supported, empowered, respected and engaged, and
- Ensure our workforce has the knowledge, skills and behaviours capable of meeting future demands.

The Workforce Plan is underpinned by a range of related policies and processes, covering all aspects of People Management. These are reviewed on a rolling basis to ensure that they provide the best support for the Council.

Audit and assurance

There are a number of arrangements that seek to provide assurance on the Council's system of internal control.

1. The Council has an **Audit Committee**, the remit of which is to:
    - ensure that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it;
    - in relation to the authority's internal audit functions:
        - oversee its independence, objectivity, performance and professionalism;
        - support the effectiveness of the internal audit process, and
        - promote the effective use of internal audit by approving the annual Internal Audit Plan.
    - consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations;
    - monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption;
    - consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control;
    - To support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process, and
    - To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

2. The Council's **Internal Audi**t function is delivered via a joint working arrangement with Falkirk Council. The role of Internal Audit is to provide a balanced and evidence based opinion to Members on the adequacy of the Council's arrangements for risk management, governance, and control. On an annual basis, Internal Audit provides an Assurance report to the Audit Committee, which gives an overall opinion on the Council's risk management, governance, and control arrangements, based on the work they have carried out over the course of the year.

3. The Council is externally audited by Audit Scotland who conduct an audit in accordance with the Code of Audit Practice approved by the Accounts Commission. Their

responsibilities include assessing the Council's system of internal control to gain assurance that the Council:

- has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements;
- has systems of internal control which provide an adequate means of preventing and detecting material misstatement, error, fraud or corruption, and
- complies with established policies, procedures, laws and regulations.

4. Many individual services and functions are subject to review by external agencies and inspectorates.

Review of effectiveness

We have a responsibility for reviewing, at least annually, the effectiveness of our governance framework, including the system of internal control. The review is informed by a wide range of evidence, including:

- The work of the members of the Extended Strategic Leadership Group, who have responsibility for the development and maintenance of the governance environment
- The Internal Audit Annual Assurance Report
- The Management Report, provided annually by our External Auditor (currently Audit Scotland)
- Reports from other external review bodies, agencies and inspectorates
- Output from self-assessment undertaken by service managers evaluating the extent to which services comply with the local code, and identifying areas for improvement
- The completion of signed Certificates of assurance by Executive Directors confirming their opinion that the identified areas for improvement and associated action plan will address any current issues or risks

The 2018 review led to the new Local Code of Governance, approved by Council in February 2019. A new two-stage process for reviewing Governance arrangement was also established. Stage one reviews the local code to make sure that it reflects the approaches that are most significant to the achievement of Council priorities and desired outcomes, and that the approaches are fit for purpose. The second stage of the review is to check that the approaches are implemented in all relevant areas.

This is the first year of implementation of the new governance assurance process. This foundation will be built upon in future years.

The annual Governance review identified areas for improvement. Resulting actions are tracked using the Council's performance management system.

Annual Governance Statement

The Annual Assurance Report by Internal Audit to the Audit Committee on 20th June 2019 reported substantial assurance on the Council's arrangements for risk management, governance, and control for the year to 31st March 2019, and an Internal Audit plan is in place for 2019/20, that will focus on areas which have been identified as corporate or service specific risks.

Significant Governance Issues

Financial Sustainability

The Council recognises the ongoing challenge of financial sustainability as one of the key governance issues it will continue to engage with. This year it was in a position to set a balanced budget. The Council and Committees were regularly provided with financial information throughout the course of the year. There are further substantial savings to be achieved in future years.

Building Security

An audit of building security arrangements carried out by Internal Audit during the year found that no assurance could be provided in relation to the adequacy of the controls in place to ensure that the Council's buildings and their contents are secured. A number of actions were agreed in response, including:

- clarifying responsibility for developing, disseminating and enforcing building security standards,
- reviewing security guidance and standards
- preparation of a Building Security Incident Policy,
- Reviewing corporate training requirements in relation to building security

An update provided to Audit Committee in April reported progress in a number of areas, such as changes to procedures for the control of ID/access cards and a wide range of ongoing activities in relation to staff information and awareness raising and organisational vigilance. A further progress report is to be brought back to the Audit Committee no later than 31st December 2019.

Best Value Assurance including progress report in June 2019

The Council made significant progress in the action plan agreed in response to the Best Value Assurance Report (BVAR) published by the Accounts Commission in January 2018. A new Chief Executive was appointed and 2 of the 3 Strategic Director posts were filled. Committee structures were introduced in August and a new corporate plan was agreed by Council in December 2019, providing a clear focus for improvement, based on collaboration, inclusive growth and innovation. Steps have been taken to establish a programme management function and change programme board, and secure external assistance to support improvement work. In the follow up report which was presented to the Council with an action plan in August 2019, three recommendations were made. These are:

1) councillors and officers should build on recent progress and work collaboratively to agree initiatives which secure transformational change, long term savings and service and financial sustainability;

2) the Council should work urgently to finalise its new management structure and proceed with organisational redesign and ensure that initiatives that are in train provide the necessary capacity to support and embed change;

3) the Council should further develop its working relationships with local councils and others and use these to secure efficiencies in services.

Supplier Set Up and Bank Account Changes

Internal Audit gave 'limited assurance' in relation to the adequacy of the controls in place for supplier set up and bank account changes, as a result of weaknesses in the controls over the processing, checking, and authorising of new supplier details and changes. Although supplier records on the corporate finance system were being accurately updated, some duplicate records were found. External Audit's 2018/19 Management Report also highlighted continuing weakness in controls over changes to supplier bank details. A number of changes to processes were agreed, supported by new user guidance.

General Data Protection Regulation (GDPR) readiness

In their investigation into the Council's state of readiness for GDPR, Internal Audit reviewed:

- the clarity of accountability arrangements and roles and responsibilities. To include the role of the Information Management Working Group;
- overall project planning and management arrangements; and
- communications and awareness raising.

Their report gave 'limited assurance' in relation to the clarity of accountability arrangements, roles and responsibilities, and project planning and management arrangements, and 'substantial assurance' in relation to communication and awareness raising. A Data Protection Officer has been appointed and the Data Protection Policy was updated in May 2018 to include GDPR requirements. A GDPR project plan is also in place. There have been a range of actions taken to raise awareness of GDPR within the Council. Guidance has been prepared, and e-learning training made available to staff.

Progress made on areas for improvement contained in the 2017/18 AGS

Areas for improvement	Progress
Pace of and support of organisational change	During the past year the Council has made several senior manager appointments and has engaged external assistance to help drive the organisational transformation programme. The new corporate plan provides a clear focus for improvement and the establishment of a member/officer change programme board has brought greater scrutiny and challenge, and more cohesive leadership of change. The Accounts Commission reported in their Best Value progress report, published June 2019, that the pace of change has increased significantly and that the council is taking steps to maintain this momentum.
Staff reductions and loss of capacity and capability leading to non-compliance with Council policy and statutory requirements	The draft Strategic Workforce Plan will be considered by Council in June. The plan has a focus on achieving a sustainable and resilient workforce that has the knowledge, skills and behaviours capable of meeting future demands. Major Governance failure due to non-compliance with Council policy and statutory requirements is recognised as a high risk corporately and is actively managed through corporate risk management arrangements.
Progress towards a sustainable financial position and the meeting of immediate budget challenges	The Council made significant savings during 2017/18 and achieved a balanced budget for 2018/19. Stricter financial management and increased transparency of scrutiny are helping the Council achieve savings targets.

Progress made on areas for improvement contained in the 2017/18 AGS *continued*

Areas for improvement	Progress
Information management including compliance with the requirements of GDPR	There have been a range of actions taken to raise awareness of GDPR within the Council. Guidance has been prepared, and mandatory e-learning training is being rolled out to all services. An audit of GDPR arrangements was carried out during 2018 and found limited assurance in relation to the clarity of accountability arrangements, roles and responsibilities, and project planning and management arrangements, and substantial assurance in relation to communication and awareness raising. Improvement actions are being progressed.
Procurement arrangements with particular regard to the governance arrangements, provision of advice and embedding of professional procurement practice across the Council	A new Procurement Strategy was approved by Council during 2018. The strategy sets out 6 strategic themes that guide actions and initiatives planned over the strategy period to achieve outcomes set out in the Vision for Procurement. Governance arrangements are addressed throughout the strategy. Strategic Theme 2 has "To continue to embed professional procurement and contract management skills and support the growth of commercial acumen within the Council". The strategy also sets out Procurement Principles that will guide how the Council conducts and develops its procurement activities.
Revision of and consistent compliance with key corporate governance policies including Financial Regulations, the Scheme of Delegation and Contract Standing Orders to evidence sound and robust financial management	The Local Code of Governance and governance review processes introduced during 2018/19 mark a new, more streamlined approach that aims to improve scrutiny and achieve more clarity around accountability. This will be further enhanced during 2019/20.

Progress made on areas for improvement contained in the 2017/18 AGS *continued*

Areas for improvement	Progress
Change management arrangements including project planning and planning for City Deal	During 2018 the Council established a Change Board comprising the Strategic Directors, Chief Executive and 4 elected members (based on current political balance) and recruited a Programme Manager, with support from the Improvement Service. The Programme Manager is to establish and lead a Programme Management Office (PMO) using the transformation change fund. Suitably qualified staff from within the Council will be seconded into the PMO. The exact constitution of the PMO will vary over time as demands for project resources change.
Implementation of the action plan identified following the Internal Audit report into Payroll Changes and Management Information	A new verification process has been introduced and services have put in place necessary arrangements to check all payroll verification reports for accuracy.
Risk management arrangements particularly managing the risk created by health and safety non-compliance	A new Health & Safety Policy was agreed by Council in May 2018. The Risk Assessment Policy, Construction (Design & Management) Policy, Consultation with Safety Representatives Arrangements and Premises Duty Holder Guidance have all been agreed. Safety Talk scripts have been prepared. Work is continuing to ensure all other H&S policies are reviewed and developed.
Specific actions identified in this AGS and previous years' AGS will be reviewed, captured on Pentana and progress reported to the Audit Committee	The Council's decision making framework was reviewed during the year, including revising the committee structure and remits. Arrangements for reviewing progress on AGS actions are under development and will be implemented during the current year.

Improvement Plan 2019/20

Areas for improvement	Agreed action	Due by	Lead
Local Code of Governance and associated processes	Review the local code, with the aim of it being comprehensive, accessible (publicly and internally), and fully deployed.	October 2019	Senior Manager Legal & Governance
The Scheme of Delegation does not reflect recent changes in the Council's decision making framework.	Revise the Scheme of Delegation to bring it up to date and deploy as appropriate.	March 2020	Senior Manager Legal & Governance
The Scheme of Delegation does not adequately cover City Region Deal governance.	Contribute to development of City Region Deal governance framework, for approval by Partnership & Performance Committee.	September 2019	Senior Manager Legal & Governance
The current Raising Concerns Policy does not fully address Whistleblowing policy recommendations.	Develop current Raising Concerns Policy into a Whistleblowing Policy, for approval by Partnership & Performance Committee.	January 2020	Senior Manager Legal & Governance
Communication of the Corporate Plan has been limited and links with other strategies are not yet developed.	Carry out a development session with the Senior Managers Forum aimed at integrating the Corporate Plan into other strategies, policies and ongoing activities. Develop and roll out activities to raise awareness of and promote corporate values.	October 2019	Senior Manager Partnership & Transformation
The performance management guide for elected members does not reflect recent changes in the Council's decision making framework and Governance arrangements.	Revise performance management and business planning guides.	December 2019	Senior Manager Partnership & Transformation
Revised Clackmannanshire Alliance governance arrangements are not yet fully developed or deployed.	Fully implement new Clackmannanshire Alliance governance arrangements and complete a self-evaluation exercise, to support continuous improvement.	March 2020	Senior Manager Partnership & Transformation

Improvement Plan 2019/20

Areas for improvement	Agreed action	Due by	Lead
The Communications Strategy is not integrated with the new corporate plan.	Develop an updated Communications Strategy and guidance.	October 2019	Senior Manager Partnership & Transformation
The Local Government Benchmarking Framework suggests that customer satisfaction is falling in some service areas.	Review corporate approaches in relation to customer care and develop a plan to improve customer experience	September 2019	Senior Manager Legal & Governance
Climate change considerations are not fully embedded in Council decision making.	Revise and update the Sustainability & Climate Change Strategy and establish a Carbon Management Group.	March 2020	Senior Manager (Place)
Asset strategies are not aligned to the Corporate Plan and values.	Develop an Asset Plan in line with the Capital Strategy and Corporate Plan.	March 2020	Senior Manager Finance & Revenues
Financial sustainability continues to be a high priority for the Council.	Further develop management information to inform decision making. Develop and roll out further training and guidance in financial management.	March 2020	Senior Manager Finance & Revenues
Approaches for managing fraud are not consolidated.	Develop and roll out a policy for dealing comprehensively with fraud.	January 2020	Senior Manager Legal & Governance
Information management approaches are not aligned or comprehensive.	Consolidate corporate support Information Management approaches in Legal & Governance team and develop an action plan to address gaps.	March 2020	Senior Manager Legal & Governance
In addition, some Local Code elements will be reviewed to ensure that they remain fit for purpose			
	Refresh the Risk Management Strategy and guidance.	December 2019	Senior Manager Legal & Governance
	Develop and roll out an updated Workforce Plan.	June 2019	Senior Manager HR & Workforce Development

Annual Governance Statement

Statement of Assurance

We are satisfied that Clackmannanshire Council's Governance arrangements remain fit for purpose.

Areas for improvement set out above will be addressed to further improve the effectiveness of our Governance arrangements and will include an update on progress in our 2020 AGS.

Nikki Bridle
Chief Executive
26 September 2019

Ellen Forson
Leader of the Council
26 September 2019

Remuneration Report

General

Elements of the remuneration report are subject to audit, throughout the report the relevant sections have been noted as audited where applicable. 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 tables comprising the Clackmannanshire Council's Remuneration Report for 2018/19 reflect the following contextual factors:

- Pay award of 3.5% up to £80k, and flat rate of £1,600 over £80k from 1 April 2018 is included in the 2018/19 figures.
- As at 31 March 2019 there were 8 Senior Councillors in post. The maximum allowed for Clackmannanshire Council is 8;
- The council began the implementation of the corporate redesign and associated management structure during the year as agreed by council at budget setting on the 8th March 2018.
- The corporate management structure is: Chief Executive, Strategic Director Place, Strategic Director People, Strategic Director Partnership & Performance
- The committee structure was changed at the Council meeting held on 12th April 2018 to reflect the organisational redesign establishing three new committees; People Committee, Place Committee and Partnership & Performance Committee. The previous Audit and Finance Committee was disestablished. Three committees remained unchanged: Scrutiny Committee, Planning Committee and Regulatory Committee.
- There was a further change to the committee structure at the Council meeting on 23rd August 2018. The Scrutiny Committee was changed to Audit Committee aligning with the CIPFA guidance for Audit Committees in Local Authorities. The Performance Committee was renamed to Partnership and Performance Committee, reflecting its amended remit to oversee partnership arrangements. The remit for standing committees was also updated to cover their scrutiny role for the portfolio areas.

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.

Remuneration Report

The annual salary that can be paid to the Leader of the Council is set out in the Regulations which for 2018/19 was £28,326 (2017/18: £28,213). The actual salary paid to the holders of the Leaders post during 2018/19 was £854 Les Sharp and Ellen Forson £27,440 (2017/18: £26,093 Les Sharp). 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 2018/19 amounts to £21,245 (2017/18: £21,160). The actual salary paid to the holders of the Civic Head post during 2018/19 was £21,245 Tina Murphy (2017/18: Tina Murphy £17,634 and Gary Womersley £1,936).

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 £152,686 for 2018/19 (2017/18: £152,347). The total annual amount payable by the Council for remuneration to all its Senior Councillors shall not exceed £152,686.

The remuneration paid to Senior Councillors in 2018/19 covering the year 1st April 2018 to 31 March 2019 totalled £150,975 (2017/18: £130,434). This includes £1,589 paid to Councillor Holden for serving as Vice Convenor on the Valuation Joint Board (2017/18: £2,724). Also included are payments for serving on the Association of Public Service Excellence (APSE) for Councillor Sharp £5,250 (2017/18: Councillor Sharp £4,317). This amount is recoverable from this organisation. The net cost to Clackmannanshire Council in relation to Senior Councillors is £144,136 (2017/18; £127,706). This complies with current regulations.

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.

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to Councillors with the responsibility of a Convenor or a Vice-Convenor of a Joint Board such as a Valuation Joint Board. The regulations require the remuneration to be paid by the Council of which the Convenor or Vice-Convenor (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convenor or Vice-Convenor being a member of the Local Government Pension Service. Clackmannanshire Council made payments of £1,589 in 2018/19 (2017/18: £2,724).

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.

Remuneration Report

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/150 sets the amount of salary for the Chief Executive of Clackmannanshire Council for the period 2017/18 to 2018/19. 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.

Table 1 (Audited): Remuneration of Senior Councillors and Convenors and Vice Convenors of Joint Boards

			Total Remuneration	
Post Holder	**Position**	**Dates**	**2017/18**	**2018/19**
			£	£
Les Sharp	Leader of The Council Spokesperson for Health & Social Work	from 1/6/17 to 11/4/18 from 12/4/18	26,093	24,377
Ellen Forson	Leader of The Council Spokesperson for Health & Social Work	from 12/4/18 from 28/6/17 to 11/4/18	16,229	28,016
Tina Murphy	Provost	from 1/6/17	17,634	21,245
Donald Balsillie	Depute Provost & Chair of Planning Committee Spokesperson for Audit & Finance	from 1/6/17 from 1/2/19	17,611	19,119
Kenny Earle	Chair of Licensing Board	From 20/6/17	14,874	19,119
Dave Clark	Chair of Scrutiny Committee	from 1/6/17 to 31/5/18	15,869	3,187
Bill Mason	Chair of Audit Committee	From 1/6/18	-	15,933
Craig Holden	Spokesperson for Environment & Housing Valuation Joint Board – Depute Convenor	from 28/6/17 from 23/6/17	17,093	15,945
Graham Lindsay	Chair of Regulatory Committee Spokesperson for Education	From 1/6/17 From 28/6/17	15,869	19,119
Phil Fairlie	Spokesperson for Partnership & Third Sector Spokesperson for Audit & Finance	From 28/6/17 to 11/4/18 From 12/4/18 to 31/1/19	14,439	15,933
Helen Lewis	Spokesperson for Partnership & Third Sector	From 12/4/18	-	18,521
Total Remuneration			**155,711**	**200,514**

Remuneration Report

Notes

1. *There were no Taxable Expenses or Benefits other than in cash paid to any of the Senior Councillors in 2018/19 or 2017/18.*
2. *During 2018/19 there were no changes to the administration of the Council with SNP from 9th March 2017 to present.*
3. *On 12th April 2018 a new spokesperson role of Audit & Finance was created which replaced the Chair of Audit & Finance post in terms of special responsibility allowance. On 23rd August 2018 the remit of the Scrutiny Committee was amended to the Audit Committee to align with CIPFA Guidance on arrangements for Audit Committees in local authorities.*
4. *Where councillors were Senior Councillors in 2018/19 but not in 2017/18 there is no remuneration figures shown for 2017/18*
5. *Payments to Senior Councillors are inclusive of additional payments made by the Council in respect of Members serving on Joint Boards. For 2018/19 the amount recharged to the Valuation Joint Board for additional payments was £1,589 (2017/18: £2,724). This amount is recovered from the Joint Board.*
6. *Councillor Sharp's remuneration includes £5,250 (2017/18: £4,317) for serving on the Association of Public Service Excellence (APSE). This amount is recovered from the organisation.*
7. *Councillor Sharp received £8171 (2017/18: £681) and Councillor Forson received £275 (2017/18: £5,612) remuneration from NHS Forth Valley for serving on the regional Health Board during 2018/19. This is paid directly by the NHS to each individual and are not included above.*

Remuneration Report

Remuneration Paid to Councillors

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

Leader of the Council	1
Provost/Civic Head	1
Senior Councillors	8
Councillors	8
Total Councillors	**18**

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 (Audited)	**2017/18**	**2018/19**
	£	**£**
Salaries	335,463	341,210
Employer's NIC and Pension	84,800	84,151
Expenses	6,721	8,080
Total	**426,984**	**433,441**

Notes

1. *Total salaries remuneration shown in the above table is for all Councillors including Senior Councillors as detailed in Table 1.*
2. *The salaries figure above excludes £8,171 paid directly to Councillor Sharp and £275 paid directly to Councillor Forson in respect of serving on NHS Forth Valley Health Board (2017/18: £681 to Councillor Sharp and £5,612 to Councillor Forson).*

The annual return of Councillors' salaries and expenses for 2018/19 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 Report

Table 2 (Audited): Remuneration of Senior Employees of the Council

Name and Post Title	Total Remuneration 2017-18	Salary, fees and allowances 2018-19	Severance Costs 2018-19	Total Remuneration 2018-19
	£	£	£	£
Elaine McPherson Chief Executive until 13/05/18 (Annual Salary £104,154)	103,909	11,794	-	11,794
Nikki Bridle Chief Executive from 14/05/18. Previously Depute Chief Executive until 13/05/18 (Annual Salary £104,154)	90,590	102,644	-	102,644
Garry Dallas Strategic Director - Place from 27/08/18 Previously Executive Director until 26/08/18 (Annual Salary £90,369)	86,310	89,360	-	89,360
Stuart Crickmar Strategic Director - Partnerships & Performance from 27/08/18. Previously Head of Strategy & Customer Services until 26/08/18. (Annual Salary £90,369)	70,434	83,324	-	83,324
Fiona McOmish Strategic Director - People from 18/2/19 (Annual Salary £90,369)	-	10,304	-	10,304
Anne Pearson Chief Education Officer (Annual Salary £84,936)	86,940	88,540	-	88,540
Cecilia Gray Chief Social Work Officer until 31/12/18 (Annual Salary £76,859)	74,260	55,695	14,732	70,427
Margaret McIntyre Chief Social Work Officer (Acting) from 01/01/19 (Annual Salary £68,237)	-	17,059	-	17,059
Lindsay Sim Chief Finance Officer from 01/02/19 (Annual Salary £73,092)	-	12,182	-	12,182
Lindsay Thomson Monitoring Officer from 01/11/18 (Annual Salary £63,237)	-	26,349	-	26,349
Ahsan Khan Head of Housing and Community Safety until 30/09/18 (Annual Salary £74,975)	64,490	33,809	3,810	37,619
Stephen Coulter Head of Resources and Governance until 14/01/19 (Annual Salary £74,975)	70,434	62,773	27,862	90,635

Name and Post Title	Total Remuneration 2017-18	Salary, fees and allowances 2018-19	Severance Costs 2018-19	Total Remuneration 2018-19
	£	£	£	£
Paula Tovey Chief Accountant and Interim Section 95 Officer from 14/5/18 until 22/02/19. (Annual Salary £97,888)	-	79,745	-	79,745
Shiona Strachan Stirling and Clackmannanshire Health and Social Care Partnership Chief Officer until 31/12/18 (Annual Salary £92,138)	90,583	69,137	-	69,137
Ian Aitken Stirling and Clackmannanshire Health and Social Care Partnership Chief Officer (Interim) from 01/12/18 until 31/03/19 (Annual Salary £92,448)	-	30,816	-	30,816
Total	**737,950**	**769,121**	**46,404**	**815,525**

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 3.5% up to £80k & flat rate of £1,600 over £80k from 1 April 2018 is included in the 2018/19 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 3.5% pay award for 2018/19 which is capped at £80,000, on or above which a flat rate of £1,600 will apply giving a salary of £104,154. The actual remuneration paid to the Chief Executive of £11,794 includes a voluntary reduction of 2.77% up until 13th May 2018.*
4. *On a voluntary basis, all Chief Officers and Senior Employees agreed to a reduction in remuneration from 1 July 2014. This reduction is equivalent to the reduction applied to single status employees for the change in working week hours from 36 to 35. All of these reductions ceased within 2018/19 and any agreed reductions are included in the remuneration figures detailed in table 3.*
5. *The table includes salaries paid by Scottish Fire and Rescue for the Strategic Director (People) who is on secondment.*
6. *The Chief Officer (Ian Aitken) of Clackmannanshire & Stirling Health and Social Partnership salary is paid by NHS Forth Valley. The council pays 20% of the salary costs for this post.*
7. *The post of Chief Accountant and Interim Section 95 Officer was recruited through an agency. The remuneration figures include the agency fee.*

Remuneration Report

General Disclosure by Pay Band (Audited)

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 2018/19
£50,000 - £54,999	39	40
£55,000 - £59,999	14	17
£60,000 - £64,999	8	9
£65,000 - £69,999	1	2
£70,000 - £74,999	3	1
£75,000 - £79,999	1	-
£80,000 - £84,999	-	2
£85,000 - £89,999	3	2
£90,000 - £94,999	1	-
£95,000 - £99,999	1	-
£100,000 - £104,000		1
	71	**74**

Notes

1. *Annual increments and the pay award 3.5% up to £80k & flat rate of £1,600 over £80k has increased the number of employees falling into bands £55,000 - £59,999.*
2. *The amount of employees in £70,000 - £74,999 has decreased by 2 as a result of employees leaving throughout the year and moving down pay bands.*
3. *Annual increment and Council restructure has increased employees in band £80,000-£84,999 by 2.*
4. *Change of Chief Executive resulted in reduction by 1 to 0 in £95,000-£99,999 and increase by 1 in £100,000-£104,999.*

Pension Benefits

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

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

Remuneration Report

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 2018/19 between %
£0	£22,441	5.5	5.5
£22,442	£29,193	5.6 - 6.0	5.6 - 6.0
£29,194	£36,652	6.1 - 6.5	6.1 - 6.5
£36,653	£51,713	6.6 - 7.5	6.6 - 7.5
£51,714	£58,259	7.6 - 8.0	7.6 - 8.0
£58,260	£78,008	8.1 - 9.0	8.1 - 9.0
£78,009	£118,012	9.1 - 10	9.1 - 10
£118,013	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 2019 are shown in the table below, together with the contribution made by the Council to each Senior Councillors' pension during the year.

Remuneration Report

Table 3 (Audited): Senior Councillors Pension Benefits

Name and Post Title	Pension Contributions		Accrued Pension Benefits			
	2017/18	2018/19	Difference to 2017/18		As at 31/3/19	
			£'000	£'000	£'000	£'000
	£	£	Pension	Lump Sum	Pension	Lump Sum
Les Sharp Leader of the Council (from 1/6/17 to 11/4/18) Spokesperson for Health and Social Work (from 12th April 2018)	5,895	4,112	1	-	8	-
Ellen Forson Leader of the Council (from 12/4/18) Spokesperson for Health & Social Work (from 28/6/17 to 11/4/18)	4,032	6,024	1	-	3	-
Tina Murphy Provost (from 1/6/17)	4,446	4,568	1	-	6	2
Kenny Earle Chair of Licensing Board (from 20/6/17)	-	4,111	-	-	3	-
Donald Balsillie Chair of Planning Committee (from 1/6/17) Spokesperson for Audit & Finance (from 1/2/19)	4,066	4,111	-	-	4	1
Phil Fairlie Spokesperson for Partnership & Third Sector (from 28/6/17 to 11/4/18) Spokesperson for Audit & Finance (from 12/4/18 to 31/1/19)	3,681	3,426	**1**	**-**	**1**	**-**
Graham Lindsay Chair of Regulatory Committee (from 1/6/17) Spokesperson for Education (from 28/6/17)	3,681	4,111	**1**	**-**	**1**	**-**
Helen Lewis Spokesperson for Partnership & Third Sector (from 12/4/18)	-	4,092	**-**	**-**	**-**	**-**
Dave Clark Chair of Scrutiny Committee (from 1/6/17 to 31/5/18)	3,681	4,111	**1**	**-**	**1**	**-**
Total	**29,482**	**38,666**	**6**	**0**	**27**	**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 2019 are shown in the table below, together with the contribution made by the Council to each Senior Employees' pension during the year.

Table 4 (Audited): Senior Employees Pension Benefits

Name and Post Title	Pension Contributions		Accrued Pension Benefits			
	2017/18	2018/19	Difference to 2017/18		As at 31/3/19	
	£	£	£'000	£'000	£'000	£'000
			Pension	Lump Sum	Pension	Lump Sum
Elaine McPherson Chief Executive until 13/05/18	22,901	2,608	1	-	45	83
Nikki Bridle Chief Executive from 14/05/18. Previously Depute Chief Executive until 13/05/18	19,865	22,135	6	6	40	63
Garry Dallas Strategic Director - Place from 27/08/18 Previously Executive Director until 26/08/18	19,085	19,429	1	1	44	85
Stuart Crickmar Strategic Director - Partnerships & Performance from 27/08/18. Previously Head of Strategy & Customer Services until 26/08/18.	15,575	18,095	5	8	32	53
Fiona McOmish Strategic Director - People from 18/2/19	-	1,989	-	-	11	-
Anne Pearson Chief Education Officer	18,692	19,036	2	-	5	-
Cecilia Gray Chief Social Work Officer until 31/12/18	15,966	11,974	1	-	34	65
Margaret McIntyre Chief Social Work Officer (Acting) from 01/01/19	-	13,864	-	-	19	23
Lindsay Sim Chief Finance Officer from 01/02/19	-	3,673	-	-	19	24
Lindsay Thomson Monitoring Officer from 01/11/18	-	12,827	-	-	2	-

Name and Post Title	Pension Contributions		Accrued Pension Benefits			
Name and Post Title	2017/18	2018/19	Difference to 2017/18		As at 31/3/19	
	£	£	£'000	£'000	£'000	£'000
			Pension	Lump Sum	Pension	Lump Sum
Ahsan Khan Head of Housing and Community Safety until 30/09/18	14,559	7,842	1	-	7	-
Stephen Coulter Head of Resources and Governance until 14/01/19	15,575	12,696	1	-	6	-
Shiona Strachan Stirling and Clackmannanshire Health and Social Care Partnership Chief Officer until 31/12/18	19,475	14,864	2	-	40	71
Ian Aitken Stirling and Clackmannanshire Health and Social Care Partnership Chief Officer from 01/12/18 until 31/03/19	-	4,780	-	-	48	145
	161,693	**165,812**	**20**	**15**	**352**	**612**

Notes

1. *All Senior Employees shown in the tables above are members of the Local Government Pension Scheme (LGPS)*
2. *Where employees have joined the Council and transferred previous employment pension benefits into the Falkirk Pension Fund, the pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service and not just their current employment.*

Termination Benefits (Audited)

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 employees 40 (2017/18: 53) through voluntary redundancy and voluntary severance during 2018/19, incurring liabilities of £1.284m (2017/18: £1.291m). There were no employees whose voluntary severance was approved during the 2018/19 financial year but who were not due to leave until the 2019/20 financial year. 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	
Cost Bands		**2017/18**	**2018/19**	**2017/18**	**2018/19**
£0	£20,000	30	20	277,580	207,908
£20,001	£40,000	18	10	481,730	295,320
£40,001	£60,000	2	3	91,675	140,804
£60,001	£80,000	-	3	-	213,090
£80,001	£100,000	2	1	180,030	90,407
£100,001	£250,000	-	3	-	336,773
£250,001	£300,000	1	-	260,000	-
Total		**53**	**40**	**1,291,015**	1,284,302

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.

Remuneration Report

Relevant Union Officials

During the year 20 (2017/18 19) employees took part in union activities, as relevant union officials, some of whom were part time:

	2017/18	2018/19
Number of employees	19	20
Full-time Equivalent	17.37	19.02

Facility time

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

% of time	Employees	
	2017/18	2018/19
0%	2	4
1-50%	15	14
51-99%	1	1
100%	1	1

Of the total pay bill, £83k (0.11%) related to facility time under taken during the year.

	2017/18	2018/19
	£000	£000
Facility time cost	88.4	83.4
Total pay bill	80,600	77,718
% of pay bill	0.11%	0.11%

Paid trade union activities

The percentage of the total paid facility time that relates to relevant union officials was £3.2k or 3.84% (2017/18 £2.9k or 3.39%).

Nikki Bridle
Chief Executive
26 September 2019

Ellen Forson
Leader of the Council
26 September 2019

Independent Auditor's Report

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

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 2019 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 Income and Expenditure Statement, Movement on the Housing Revenue Account Statement, 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 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 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 2018/19 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)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. 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 was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is two years. 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. Non-audit services prohibited by the Ethical Standard were not provided to the council. 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 Chief Finance Officer 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.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Chief Finance Officer and the Audit Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer 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 obtain 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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 Chief Finance Officer 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).

Independent Auditor's Report

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the 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.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gordon Smail
Audit Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

26 September 2019

Comprehensive Income & Expenditure Statement
For the year ended 31 March 2019

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.

	2017/18**			Note		2018/19	
Restated Gross Expenditure	Restated Gross Income	Restated Net Expenditure /(Income)			Gross Expenditure	Gross Income	Net Expenditure /(Income)
£'000	£'000	£'000			£'000	£'000	£'000
69,652	(5,687)	63,965	People		72,198	(4,922)	67,276
32,297	(22,527)	9,770	Partnership and Performance		30,768	(19,714)	11,054
28,599	(8,609)	19,990	Place		27,952	(8,414)	19,538
17,714	(18,775)	(1,061)	Housing Revenue Account		18,713	(19,144)	(431)
3,603	(1,805)	1,798	Corporate Services***		2,220	-	2,220
43,808	(28,186)	15,622	Clackmannanshire and Stirling Integration Joint Board*		45,471	(28,634)	16,837
381	-	381	Central Scotland Valuation Joint Board		381	-	381
196,054	**(85,589)**	**110,465**	**Cost of Services**		**197,703**	**(80,828)**	**116,875**
958	-	958	(Gain)/ loss on sale of Non current assets		473	-	473
14,556	(2,020)	12,536	Financing and Investment Income and Expenditure	9	11,611	(779)	10,832
-	(122,999)	(122,999)	Taxation and Non-Specific grant Income	10	-	(122,707)	(122,707)
211,568	**(210,608)**	**960**	**(Surplus) or Deficit on Provision of Services**		**209,787**	**(204,314)**	**5,473**
		(103)	(Surplus) or Deficit on revaluation of non-current assets	25			(504)
		169	Impairment (gain)/ loss on non-current asset to the revaluation reserve	25			1,947
		(77,025)	Remeasurement of the net defined benefit liability / (asset)	25			15,086
		(76,959)	**Other Comprehensive (Income) and Expenditure**				**16,529**
		(75,999)	**Total Comprehensive (Income) and Expenditure**				**22,002**

**The gross income and gross expenditure includes £16.6m for services commissioned under the Clackmannanshire and Stirling Integration Joint Board.*
*** The 2017/18 figures have been restated to match the management structure of the Council.*
**** Corporate Services line reflects the costs for Non Distributed Cost for Pensions and Bad Debt provision.*

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

This is different from the statutory amounts required to be charged to the General Fund 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.

Movement in Reserves Statement
For the year ended 31st March 2019

2018/19	Notes	General Fund Reserve £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Insurance Fund £'000	Capital Grants & Receipts Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance brought forward		**(9,714)**	**(2,559)**	**(3,058)**	**(1,274)**	**(3,398)**	**(20,003)**	**(120,281)**	**(140,284)**
Movement in Reserves during 2018/19									
Total Comprehensive Income and Expenditure		4,759	714	-	-	-	**5,473**	16,529	**22,002**
Adjustments between accounting basis & funding basis	7	(2,689)	(2,241)	(963)	-	373	**(5,520)**	5,520	**-**
Net increase/ decrease before transfers to Earmarked Reserves		**2,070**	**(1,527)**	**(963)**	**-**	**373**	**(47)**	**22,049**	**22,002**
Transfers to/from Earmarked Reserves	8	(937)	364	424	(27)	212	36	(36)	-
Increase or (decrease) in 2018/19		**1,133**	**(1,163)**	**(539)**	**(27)**	**585**	**(11)**	**22,013**	**22,002**
Balance carried forward		**(8,581)**	**(3,722)**	**(3,597)**	**(1,301)**	**(2,813)**	**(20,014)**	**(98,268)**	**(118,282)**
2017/18 Restated									
Balance brought forward		**(10,127)**	**(1,973)**	**(2,115)**	**(1,261)**	**(622)**	**(16,098)**	**(48,187)**	**(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)**	**(72,094)**	**(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)**	**(72,094)**	**(75,999)**
Balance carried forward		**(9,714)**	**(2,559)**	**(3,058)**	**(1,274)**	**(3,398)**	**(20,003)**	**(120,281)**	**(140,284)**

Note: The 2017/18 figures have been restated for a rounding of £1k on the General Fund Reserve

Balance Sheet as at 31st March 2019

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. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example for Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018 £'000		Note	31 March 2019 £'000
353,861	Property, Plant & Equipment	11	358,010
835	Heritage Assets	12	795
3,782	Investment Properties	13	5,029
781	Intangible Assets	14	681
9,265	Long-Term Investments	15	4,358
1	Long-Term Debtors		1
368,525	**Non-Current Assets**		**368,874**
1,566	Investment Properties held for Sale	13	505
400	Assets held for Sale	16	-
385	Inventories	17	440
12,278	Short-Term Debtors	18	12,264
10,001	Short-Term Investments	19	9,907
9,859	Cash and Cash Equivalents	19	12,048
34,489	**Current Assets**		**35,164**
(21,193)	Short-Term Creditors	20	(24,957)
(814)	Provisions	21	(835)
(7,307)	Short-Term Borrowings	22	(2,343)
(29,314)	**Current Liabilities**		**(28,135)**
(21)	Provisions	21	(21)
(96,883)	Long-Term Borrowing	22	(96,812)
(40,990)	Other Long-Term Liabilities	23	(39,765)
(95,522)	Pension Liabilities	36	(121,023)
(233,416)	**Long-Term Liabilities**		**(257,621)**
140,284	**Net Assets**		**118,282**
(20,003)	Usable Reserves		(20,014)
(120,281)	Unusable Reserves	25	(98,268)
(140,284)	**Total Reserves**		**(118,282)**

The unaudited financial statements were issued on 27 June 2019 and the audited financial statements were authorised for issue on 26 September 2019.

Lindsay Sim, Chief Finance Officer
26 September 2019

Cash Flow Statement
For the year ended 31 March 2019

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.

2017/18 £'000		**Notes**	**2018/19 £'000**
(960)	Net (deficit) on the provision of services	CIES	(5,473)
24,547	Adjustments to net deficit on the provision of services for non-cash movements	26b	31,749
(8,760)	Adjustments for items included in the net deficit of the provision of services that are investing & financing activities	26c	(9,959)
14,827	**Net cash flows from Operating Activities**		**16,317**
(20,364)	Investing Activities	27	(8,176)
5,582	Financing Activities	28	(5,952)
45	**Net increase (decrease) in cash and cash equivalents**	19	**2,189**
9,814	Cash and Cash equivalents at the beginning of the reporting year	19	9,859
9,859	**Cash and Cash equivalents at the end of the reporting year**	19	**12,048**

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.

Index of Notes

Notes to the Financial Statements

Note 1 - Accounting Policies

a) General Principles

The Annual Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. In line with the code of practice the accounts have been prepared on a going concern basis of accounting.

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 contracts with service recipients, whether for the provision of services or the sale of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Revenue from Council Tax and Non Domestic Rates is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably. Revenue is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- 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.

Notes to the Financial Statements

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 or severance. These benefits 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 or severance.

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.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial asset measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

The Council does not hold financial assets measured at fair value through profit or loss (FVPL) or financial assets measured fair value through other comprehensive income (FVOCI).

Financial Assets Measured at Amortised Cost

Financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured 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.

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.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for Short-Term Debtors held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has made loans to Clackmannanshire Regeneration LLP and Coalsnaughton NHT 2012 LLP. The Council also holds share capital in CSBP Clackmannanshire Investments Ltd. Loss allowances for these financial assets are assessed on an individual basis.

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 & Receipts Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants & Receipts 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
- Civic Regalia
- Museum Collections (including equipment & ephemera)

Not recognised in Balance Sheet

- War Memorials
- Glassworks & Mosaics
- 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.

Notes to the Financial Statements

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 70 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.

Notes to the Financial Statements

Note 2 - Changes to Accounting Standards

Accounting Standards Adopted in the Year

- 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).

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 standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

- Annual Improvements to IFRS Standards 2014-2016 Cycle;
- Amendments to IAS 40 Investment Property: Transfers of Investment Property;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty Over Income Tax Treatments;
- Amendments to IFRS 9 Financial Instruments: Prepayment Features With Negative Compensation;
- IFRS 16 Leases; The Council will adopt this standard with effect from 1 April 2020. Implementation was previously expected to take effect from 1 April 2019 however, CIPFA/LASAAC has agreed to delay implementation in local authorities until 1 April 2020. The Council will continue to review its current lease portfolio in preparation for the new accounting requirements to ensure it is in a position to fully meet them.

The Code requires implementation from 1 April 2019 and there is therefore no impact on the 2018/19 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.

Notes to the Financial Statements

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

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

Notes to the Financial Statements

The items in the Council's Balance Sheet at 31 March 2019 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 £0.360m and £1.014m respectively for every year that useful lives had to be reduced.
Arrears – Council Tax	At 31 March 2019 the Council had Council Tax debt outstanding of £11.155m. A review of outstanding balances suggested that an allowance for doubtful debts of £8.996m was appropriate resulting in coverage of 80% 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 £558k 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 £44.66m.
Housing Rent Arrears	At 31 March 2019 the Council had Housing Rent Arrears of £1.803m. A review of outstanding balances suggested that an impairment for irrecoverable rents of £1.593m was appropriate resulting in a coverage of 88% for doubtful debts.	The expected collection rate for current tenants is higher than those for former tenants therefore this would be an area of uncertainty On this basis, if collection rates for former tenants were to fall by 5% this would increase the impairment by £33k to £1.626m increasing the % coverage for doubtful debts to 90%.

Notes to the Financial Statements

Note 5 – Events after the Reporting Period

The Audited Financial Statements were authorised for issue by the Chief Finance Officer (Section 95 Officer) on 26 September 2019. Where events taking place before this date provided information about conditions existing at 31 March 2019, 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.

- Valuation of Pension Liability – An updated IAS 19 report was requested from the actuary to reflect the court Judgments for the McCloud and Guaranteed Minimum Pension (GMP) rulings. The updated figures have been reflected in the 2018/19 Financial Statements.

Note 6 – Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the funding available to the Council for the year, from government grants, council tax and business rates, has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 65. The Adjustments between Funding and Accounting basis is shown more fully in Note 7 on Page 96.

The table below shows the analysis for the management structure of the Council:

Notes to the Financial Statements

Expenditure & Funding Analysis

Restated 2017/18 Net Expenditure chargeable to GF & HRA balances	Restated 2017/18 Adjustments between Funding & Accounting basis	Restated 2017/18 Net Expenditure in the CI&E statement		2018/19 Net Expenditure chargeable to GF & HRA balances	2018/19 Adjustments between Funding & Accounting basis	2018/19 Net Expenditure in the CI&E statement
£'000	£'000	£'000		£'000	£'000	£'000
57,543	6,422	63,965	People	60,132	7,144	67,276
8,001	1,769	9,770	Partnership & Performance	13,407	(2,353)	11,054
16,655	3,335	19,990	Place	15,972	3,566	19,538
(892)	(169)	(1,061)	Housing Revenue Account	(2,137)	1,706	(431)
7,578	(5,780)	1,798	Corporate Services	2,220	-	2,220
15,529	93	15,622	Clackmannanshire and Stirling Integration Joint Board	16,744	93	16,837
381	-	381	Central Scotland Valuation Joint Board	381	-	381
104,795	5,670	110,465	**Cost of Services**	106,719	10,156	116,875
(104,923)	(4,582)	(109,505)	**Other Income and Expenditure**	(106,428)	(4,974)	(111,402)
(128)	1,088	960	**(Surplus)/Deficit**	291	5,182	5,473
		£'000				£'000
		12,099	**Opening GF & HRA Balance**			12,273
		40	Surplus/ (Deficit) in the year			(543)
		133	Transfer (to)/from other statutory reserves			573
		12,272	**Closing GF and HRA Balance**			12,303

Note: The 2017/18 figures have been restated to match the management structure of the Council.

Expenditure & Funding Analysis

The table below shows the adjustments between the net expenditure based on the management reporting structure and the net expenditure that is reported in the Comprehensive Income and Expenditure Statement.

2018/19	Adjustments for Capital Purposes including depreciation	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000
People	4,890	1,883	371	7,144
Partnership & Performance	(6,455)	4,313	(211)	(2,353)
Place	2,073	1,538	(45)	3,566
Housing Revenue Account	1,706	-	-	1,706
Corporate Services	-	-	-	-
Clackmannanshire and Stirling Integration Joint Board	93	-	-	93
Central Scotland Valuation Joint Board	-	-	-	-
Cost of Services	**2,307**	**7,734**	**115**	**10,156**
Other Income and Expenditure	(7,655)	2,681	0	(4,974)
(Surplus)/Deficit	**(5,348)**	**10,415**	**115**	**5,182**

Expenditure & Funding Analysis

Restated 2017/18	Adjustments for Capital Purposes including depreciation	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments
	£’000	**£'000**	**£'000**	**£'000**
People	3,820	2,450	152	6,422
Partnership & Performance	1,130	678	(39)	1,769
Place	1,590	1,769	(24)	3,335
Housing Revenue Account	42	-	(211)	(169)
Corporate Services	(5,631)	-	(149)	(5,780)
Clackmannanshire and Stirling Integration Joint Board	93	-	-	93
Central Scotland Valuation Joint Board	-	-	-	-
Cost of Services	**1,044**	**4,897**	**(271)**	**5,670**
Other Income and Expenditure	(9,496)	4,307	607	(4,582)
(Surplus)/Deficit	**(8,452)**	**9,204**	**336**	**1,088**

Expenditure & Funding Analysis

The table below shows the analysis by the type of expenditure:

Restated 2017/18				2018/19		
Net Expenditure chargeable to GF & HRA balances	**Adjustments between Funding & Accounting basis**	**Net Expenditure in the CI&E statement**		**Net Expenditure chargeable to GF & HRA balances**	**Adjustments between Funding & Accounting basis**	**Net Expenditure in the CI&E statement**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
80,932	4,756	85,688	Employee costs	82,025	8,059	90,084
23,282	0	23,282	Other Operating Costs	22,529	0	22,529
59,711	0	59,711	Third Party & Transfer Payments	54,798	0	54,798
0	14,806	14,806	Depreciation	0	15,430	15,430
13,892	(13,892)	0	Capital Financing Costs	13,333	(13,333)	0
(73,022)	0	(73,022)	Income	(65,965)	0	(65,965)
104,795	**5,670**	**110,465**	**Cost of Services**	**106,719**	**10,156**	**116,875**
(104,923)	**(4,582)**	**(109,505)**	**Other Income and Expenditure**	**(106,428)**	**(4,974)**	**(111,402)**
(128)	**1,088**	**960**	**(Surplus)/Deficit**	**291**	**5,182**	**5,473**

Note: The 2017/18 figures have been restated to credit cost of services with a number of specific grants previously shown in other income and expenditure.

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 certain types of revenue expenditure including; to finance historical capital expenditure, or fund severance costs. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants & Receipts Unapplied Account

The Capital Grants & Receipts Unapplied Account 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. It also holds Capital Receipts which have been earmarked fund council transformation projects in line with the statutory provision of Local Government Finance Circular 4/2019.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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

2018/19	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants & Receipts Unapplied	Insurance Fund	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'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	(7,436)	(7,819)	-	-	-	**15,255**
Movements in the fair value of investment assets	(116)	-	-	-	-	**116**
Amortisation of intangible assets	(174)	-	-	-	-	**174**
Capital grants and contributions applied	6,847	578	-	-	-	**(7,425)**
Revenue Expenditure Funded from Capital under Statute	-	-	-	-	-	**-**
Non-current assets written off on disposal/ sale as part of gain/ (loss) on disposal	-	-	-	-	-	**-**
To the Comprehensive Income and Expenditure Statement	(1,689)	(247)	-	-	-	**1,936**
Insertion of items not debited or credited to the CIES						
Statutory provision for the financing of capital investment	6,930	1,517	-	-	-	**(8,447)**
Capital expenditure charged against the General Fund and HRA Balances	79	4,596	-	-	-	**(4,675)**
Adjustments primarily involving the Capital Grants & Receipts Unapplied account						
Capital Grants and contribution unapplied credited to the CIES	1,071	-	-	(1,071)	-	**-**
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds as part of the Gain/ (loss) on disposal to the CIES	1,427	36	(963)	(500)	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	1,944	-	**(1,944)**
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)	(22,279)	1,663	-	-	-	**20,616**
Employer's pensions contributions and direct payments to pensioner in year	12,793	(2,592)	-	-	-	**(10,201)**
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Difference between officer remuneration charges to the CIES & statutory requirements	(353)	27	-	-	-	**326**
Total Adjustments	**(2,689)**	**(2,241)**	**(963)**	**373**	**-**	**5,520**

Notes to the Financial Statements

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 & Receipts 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 & Receipts 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)**
Reversal of items relating to post employment benefits debited or credited to the Provision of Services in the CIES (see note 37)	(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**

Notes to the Financial Statements

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.

2018/19

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Insurance Fund	Capital Grants & Receipts Unapplied Account
	£'000	£'000	£'000	£'000	£'000
Net Transfer to Insurance fund from General Fund	27	-	-	(27)	-
Transfer from Capital Grants & Receipts Unapplied Account to apply Grant	(212)	-	-	-	212
Transfer from Capital Receipts Reserves to Fund Voluntary Severance	(83)	-	83	-	-
Consideration from HRA for transfer of Assets	-	364	(364)	-	-
Transfer from Capital Receipts Reserves to Fund Revenue Expenditure	(669)	-	669	-	-
Transfer from Capital Receipts Reserves to Fund Capital Expenditure	-	-	36	-	-
	(937)	**364**	**424**	**(27)**	**212**

2017/18

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Insurance Fund	Capital Grants & Receipts Unapplied Account
	£'000	£'000	£'000	£'000	£'000
Net Transfer to Insurance fund from General Fund	13	-	-	(13)	-
Transfer from Capital Receipts Reserves to Fund Voluntary Severance	(146)	-	146	-	-
	(133)	**-**	**146**	**(13)**	**-**

Notes to the Financial Statements

Note 9 – Financing and Investment Income and Expenditure

	Notes	2017/18 £'000	2018/19 £'000
Interest payable and similar charges		8,959	8,814
Net Interest on the Net Defined Benefit Liability		4,307	2,681
Interest receivable and similar income		(534)	(647)
Changes in the carrying value Market loans		(7)	(7)
Revaluation of Investment Property	7	(4)	116
Rental Income from Investments		(185)	(125)
		12,536	**10,832**

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.

	Restated 2017/18 £'000	2018/19 £'000
Credited to Taxation and Non Specific Grant Income:		
Council Tax	20,702	21,313
Grant allocation for Council Tax Reduction Scheme	3,626	3,626
Non-Domestic Rate Income distributed by pool	14,928	15,326
Non-ring fenced government grants	73,903	73,946
Capital grants and contributions	9,840	8,496
Total	**122,999**	**122,707**

Note: The 2017/18 figures have been restated to remove specific grants applied direct to services.

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 2018/19.

	2017/18 £'000	2018/19 £'000
Credited to Services		
DWP grant for Benefits	16,263	14,462
Criminal Justice	1,383	1,318
Other revenue grants (including EMA and Home Insulation)	5,824	6,279
Other Capital Grants & Contributions	159	37
Total	**23,629**	**22,096**

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 and as amended by annual revaluation and 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. In 2018/19 asset impairments totalled £0.368m

Property, Plant and Equipment (PPE)

Movements in 2018/19	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 2018	149,790	188,752	20,264	57,873	3,625	123	420,426	94,621
Additions	5,183	3,390	1,500	3,540	9,016	-	22,630	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	36	(533)	-	-	-	69	(428)	
De-recognition – Disposals	(395)	(195)	(773)	-	-	-	(1,363)	-
Assets reclassified (to)/from Investment Assets	-	(2,976)	-	-	-	130	(2,846)	-
Other Movements in Cost or Valuation	-	(1,073)	-	-	-	918	(155)	-
At 31 March 2019	**154,614**	**187,365**	**20,991**	**61,413**	**12,641**	**1,240**	**438,264**	**94,621**

Note 11 – Property, Plant & Equipment (PPE)

Depreciation charge	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
At 1 April 2018	**25,716**	**17,227**	**14,911**	**8,704**	**-**	**7**	**66,565**	**7,794**
Depreciation charge	7,713	5,214	1,348	978	-	-	15,253	1,949
Recognised in the Revaluation Reserve	-	(124)	-	-	-	(86)	(210)	-
De-recognition – Disposals	(148)	(3)	(691)	-	-	-	(842)	-
Other movements in depreciation and impairment	-	(717)	-	-	-	205	(512)	-
At 31 March 2019	**33,281**	**21,597**	**15,568**	**9,682**	**-**	**126**	**80,254**	**9,743**
Net Book Value:								
At 31 March 2019	**121,333**	**165,768**	**5,423**	**51,731**	**12,641**	**1,114**	**358,010**	**84,878**

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	4,776	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)	-

Notes to the Financial Statements

Note 11 – Property, Plant & Equipment (PPE)

	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
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 2017	**25,716**	**17,227**	**14,911**	**8,704**	**-**	**7**	**66,565**	**7,794**
Net Book Value:								
At 31 March 2017	**124,074**	**171,525**	**5,353**	**49,169**	**3,625**	**116**	**353,861**	**86,827**

Capital Commitments

At 31 March 2019 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £26.1m. Similar commitments at 31 March 2018 were £19.2m. The major commitments are as follows:

	£m
• HRA Council Housing Window Replacement	6.0
• HRA Council Housing Kitchen Supply	2.7
• HRA Council Housing Roof & Render	5.5
• HRA Council Housing Safe Electrical Testing	4.0
• Tullibody South Campus	3.7
• Menstrie Primary School/Early Years Exp	1.3
• Roads & Transportation	1.1
• Other smaller projects	1.8

Note 12 Heritage Assets

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

	Art Collection £'000	Public Art - Statues £'000	Industrial Equipment & Other items £'000	Total Assets £'000
Cost or Valuation				
At 1 April 2018	115	500	220	835
Disposals	-	-	(40)	(40)
At 31 March 2019	**115**	**500**	**180**	**795**
Cost or Valuation				
At 1 April 2017	115	500	220	835
At 31 March 2018	**115**	**500**	**220**	**835**

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.

Notes to the Financial Statements

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

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
- Collection of Civil Regalia

Additions and Disposals of Heritage Assets

Following a review of the heritage assets, two items have been written off as disposals.

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, Glassworks and mosaic pieces installed at buildings in 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)

	2017/18 £000	2018/19 £000
Balance 1 April	5,125	3,786
Additions	5	10
Net gains/(losses)from fair value adjustments	(4)	(1,822)
Transfers to/from:		
PPE	(241)	2,846
Assets held for sale	(1,099)	233
Depreciation	(4)	(24)
Balance 31 March	**3,782**	**5,029**

Investment Properties Held for Sale (Current Assets)

	2017/18 £000	2018/19 £000
Balance 1 April	1,038	1,565
Additions	6	-
Disposals	(578)	(827)
Net Gains/(losses) from fair value adjustments		
Transfers from Investment Properties	1,099	(233)
Balance 31 March	**1,565**	**505**
Total Investment Properties	**5,347**	**5,534**

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. The only direct operating expenses for the period relates to professional fees incurred in marketing Greenfield House.

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	2018/19 £'000
Rental income from investment property	(219)	(188)
Direct operating expenses arising from investment property	34	63
	(185)	**(125)**

Notes to the Financial Statements

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 £174k charged to revenue in 2018/19 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	**2018/19 £'000**
Carrying Value		
1st April	1,946	1,769
Additions	241	74
Disposals Gross Cost	(418)	(769)
	1,769	**1,074**
Amortisation		
1st April	(940)	(988)
Disposal accumulated amortisation	252	769
Amortisation for the year	(300)	(174)
	(988)	**(393)**
Carrying Value 31 March	**781**	**681**

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	2018/19 £'000
CSBP Clackmannanshire Investments Ltd (at cost)	1	-
Clackmannanshire Regeneration LLP	4,906	-
Coalsnaughton NHT 2012 LLP	4,358	4,358
	9,265	**4,358**

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.

Investments in CSBP Clackmannanshire Investments Ltd and Clackmannanshire Regeneration LLP have been transferred to Short Term Investments (Note 19) as these will be repaid during 2019/20.

Note 16 – Assets Held for Sale

This note provides detail of the Assets Held for Sale on the Balance Sheet. An asset is required to fulfil certain criteria in order to be classified in this category. These criteria are detailed in the Accounting Policies.

	Notes	2017/18 £'000	2018/19 £'000
Balance Outstanding at start of year		**409**	**400**
Impairment Losses		-	-
Assets reclassified (to)/from Other Land & Buildings	11	382	155
Assets reclassified (to)/from Surplus Assets	11	(52)	-
Assets reclassified (to)/from Investment Properties	13	152	-
Assets sold		(443)	(617)
Depreciation on reclassification		(48)	56
Additions		-	**6**
Balance outstanding at year-end		**400**	**-**

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	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
1st April	**201**	**195**	**44**	**45**	**52**	**39**	**162**	**106**	**459**	**385**
Purchased	627	721	712	685	482	487	462	606	2,283	2,499
Expensed In the year	(634)	(751)	(711)	(692)	(496)	(462)	(516)	(539)	(2,357)	(2,444)
31st March	**194**	**165**	**45**	**38**	**38**	**64**	**108**	**173**	**385**	**440**

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	2018/19 £'000
Central Government Bodies	2,616	4,907
Other Local Authorities	225	677
NHS Bodies	1,599	1,197
Other entities and individuals	7,838	5,483
Total	**12,278**	**12,264**

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

This note provides detail of the Short Term Investments and Cash and Cash Equivalents in the Balance Sheet on page 68.

	2017/18 £'000	2018/19 £'000
Short-Term Investments		
CSBP Clackmannanshire Investments Ltd (at cost)	-	1
Clackmannanshire Regeneration LLP	-	4,906
175 day notice cash deposit with banks	10,001	5,000
	10,001	**9,907**
Cash and Cash Equivalents		
Cash held by the Council	31	28
Bank current accounts	9,828	12,020
Total Cash and Cash Equivalents	**9,859**	**12,048**
TOTAL	**19,860**	**21,955**

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 has been invested in the company for eight years in accordance with the development agreement and earns interest at the prevailing Public Works Loan Board rate. The investment is due to be repaid during 2019/20.

CSBP Clackmannanshire Investments Ltd has been transferred from Long Term investments as this investment is due to be repaid during 2019/20.

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	2018/19 £'000
Central government bodies	2,905	2,597
Other local authorities	2,309	2,919
NHS bodies	255	286
Public corporations and trading funds	288	282
Other entities and individuals	15,437	18,873
Total	**21,194**	**24,957**

Note 21 – Provisions

2018/19 Short Term Provisions	Opening Balance At 1 April £'000	Additional provision made in 2018/19 £'000	Reduction In Provision £'000	Amounts used in 2018/19 £'000	Balance At 31 March 2019 £'000
Kitchen Contract	(122)	-	-	122	-
Legal Cases – PPP	(20)	-	5	15	
Equal Pay	(10)	-	-	6	(4)
Municipal Mutual	(5)	-	-	-	(5)
Legal Case – Ordinarily Resident	(376)	(450)	-	-	(826)
Voluntary Severance	(280)	-	-	280	-
Total Short Term Provisions	**(813)**	**(450)**	**5**	**423**	**(835)**
Municipal Mutual	(21)	-	-	-	(21)
Total Long Term Provisions	**(21)**	**-**	**-**	**-**	**(21)**
Total Provisions	**(834)**	**(450)**	**5**	**423**	**(856)**

2017/18

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

Kitchen Contract
Claims were made against the Council by the Contractor in relation to the award of a contract. This case has now been concluded and the provision was fully utilised in 2018/19

Legal cases PPP
Agreement has been reached on disputed cost with the Council's provider of PPP. The matter has now been concluded and the provision was fully utilised in 2018/19

Equal Pay
Payments of £6k have been made in the year. There is a remaining balance of £4k and it is anticipated that this will be sufficient to complete the settlement of the remaining claims and statutory on-costs.

Municipal Mutual Insurance
Prior to Local Government reorganisation in 1996, Central Regional Council and Clackmannan District Council entered into a solvent run-off arrangement with their insurer, MMI with the aim of having sufficient assets to meet outstanding insurance claims. 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 was adjusted to £5k in 2017/18 to reflect claims that were expected to be settled within the 2018/19 financial year. The short term provision remains at £5k and the remaining £21k as a long term provision to meet future claims.

Legal Cases – Ordinarily Resident

A dispute has arisen around the Ordinarily Resident status of five individuals with Falkirk Council. This is where the resident address of the individual determines 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 five people being resident in Clackmannanshire before the Council was aware of the change. A provision was established in 2017/18 for £376k and this has been increased in 2018/19 to £826k due to a further two individuals being identified. The discussions to resolve this will continue into 2019/20. Also see Note 37 Contingent Liabilities.

Voluntary Severance

Relates to voluntary severance case that had been agreed at 31 March 2018, where the employee had not left by this date. This provision was fully utilised in 2018/19.

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	**2018/19**
	£'000	**£'000**
Source of Loan		
Repayable within 12 months		
Public Works Loan Board	5,000	-
Other Short Term Borrowings	63	63
Revenue Advances:		
Common Good & Trust Funds	357	357
Central Scotland Valuation Joint Board	609	689
Accrued Interest on borrowing	1,278	1,234
	7,307	**2,343**
Repayable after 12 months		
Public Works Loan Board	72,515	72,513
Lender Option, Borrowing Option (LOBO) Loans	5,000	5,000
Market Loans	19,368	19,299
	96,883	**96,812**

Note 23 – Other Long Term Liabilities

	2017/18	**2018/19**
	£'000	**£'000**
PFI & Finance Liabilities (see note (a) below)	40,374	39,148
Other Long-term Liabilities (see note (b) below)	616	617
	40,990	**39,765**

Notes to the Financial Statements

(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 2018/19 £'000	Street Lighting 2018/19 £'000	Total 2018/19 £'000
Balance at 1 April	42,092	312	**42,404**	41,100	242	**41,342**
Finance Lease Creditor Repaid in year	(992)	(70)	**(1,062)**	(893)	(75)	**(968)**
Balance 31 March	**41,100**	**242**	**41,342**	**40,207**	**167**	**40,374**
Ageing:						
Liabilities due over more than one year	40,207	167	**40,374**	39,061	87	**39,148**
Liabilities due within one year	893	75	**968**	1,146	80	**1,226**
	41,100	**242**	**41,342**	**40,207**	**167**	**40,374**

(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	2018/19 £'000
Developer Contributions	11	7
Reinstatement Bond	605	610
	616	**617**

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:

Financial Assets

	Non-Current				Current				
	Investments		Debtors		Investments		Debtors		Total
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2019 £'000
Amortised Cost Principal	9,265	4,359	1	1	-	4,906	3,380	2,674	11,950
Cash & Cash Equivalents	-	-	-	-	19,860	17,048	-	-	17,048
Total financial assets	**9,265**	**4,359**	**1**	**1**	**19,860**	**21,954**	**3,380**	**2,674**	**28,998**

Financial Liabilities

	Non-Current				Current				
	Borrowings		Creditors		Borrowings		Creditors		Total
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2019 £'000
Amortised Cost Principal	96,883	96,812	-	-	6,029	1,109	7,823	9,779	**107,700**
Accrued Interest	-	-	-	-	1,278	1,234	-	-	**1,234**
PFI and Finance Lease facilities	40,374	39,148	-	-	968	1,226	-	-	**40,374**
Total Financial Liabilities	**137,257**	**135,960**	**-**	**-**	**8,275**	**3,569**	**7,823**	**9,779**	**149,308**

Reclassification and Remeasurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

		New Classifications at 1 April 2018		
	Carrying Amount brought Forward at and loss 1 April	Amortised cost	Fair Value through other comprehensive Income & Expenditure	Fair Value through profit or loss
	£'000	£'000	£'000	£'000
Previous Classifications				
Loans and receivables	145,532	145,532	-	-
Reclassified amounts at 1 April 2018	**145,532**	**145,532**	**-**	**-**
Remeasurements at 1 April 2018	-	-	-	-
Remeasured carrying amounts At 1 April 2018	**145,532**	**145,532**	**-**	**-**

Table 2: Items of income, expense, gains or losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2017/18		2018/19	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
Interest Income				
financial assets measured at amortised cost	531	-	506	-
Total interest revenue	**531**	**-**	**506**	**-**
Interest expense	**8,858**	**-**	**8,709**	**-**

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:-

	2017/18		2018/19	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB – Maturity	78,717	128,571	73,673	125,124
PWLB – Annuity	35	54	33	52
LOBO's	5,041	7,781	5,041	7,905
Market Loans	19,431	27,938	19,362	28,514
Total Debt/Financial Liabilities	**103,224**	**164,344**	**98,109**	**161,595**

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 £125.124m (2017/18 £128.571m) 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**	**2018/19 £'000**
Revaluation Reserve	a)	(85,021)	(82,205)
Capital Adjustment Account	b)	(135,774)	(142,193)
Financial Instruments Investment Account	c)	2,536	2,325
Pensions Reserve	d)	95,522	121,023
Accumulating Compensated Absences Adjustment Account	e)	2,456	2,782
Total Unusable Reserves		**(120,281)**	**(98,268)**

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.

Notes to the Financial Statements

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	2018/19 £'000
Balance at 1 April	**(87,128)**	(85,021)
Upward revaluation of non-current assets	**(103)**	(504)
Downward revaluation of non-current assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**173**	1,947
Surplus/deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	**70**	1,443
Difference between fair value depreciation and historical cost depreciation	**565**	57
Accumulated (losses) on assets sold or scrapped	**1,472**	1,316
Amount written off to the Capital Adjustment Account	**2,037**	1,373
Balance at 31 March	**(85,021)**	(82,205)

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	2018/19 £'000
Balance at 1 April	**(129,749)**	**(135,774)**
Prior Year Adjustment	**450**	**-**
	(129,299)	**(135,774)**
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	15,255
Amortisation of intangible assets	300	174
Revenue expenditure funded from capital under statute	159	-
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	1,936
Amounts written out of the Revaluation Reserve on assets sold or scrapped	(1,472)	(1,316)
	15,684	**16,049**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(432)	(36)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(7,238)	(7,425)
Application of grants to capital financing from the Capital Grants & Receipts Unapplied Account	-	(1,944)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balance	(8,246)	(8,447)
Capital expenditure charged against the General Fund and HRA balances	(5,674)	(4,675)
Depreciation on Revaluation Reserve	(565)	(56)
Movement in the market value of Investment Properties Debited or credited to CIES	(4)	115
	(22,159)	**(22,468)**
Balance at 31 March	**(135,774)**	**(142,193)**

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 2019 will be charged to the General Fund over the next 35 years.

	2017/18 £'000	2018/19 £'000
Balance at 1 April	2,747	2,536
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)	(7)
Balance at 31 March	**2,536**	**2,325**

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	2018/19 £'000
Balance at 1 April	163,343	95,522
Return on Pension Assets	7,397	(17,654)
Actuarial Gains or Losses on Pension Assets and Liabilities	(84,422)	32,740
Reversal of items debited or credited to CIES	18,547	20,616
Employers Pensions contribution and direct payments to pensioners in the year	(9,343)	(10,201)
Balance at 31 March	**95,522**	**121,023**

Notes to the Financial Statements

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	2018/19 £'000
Balance at 1 April	2,599	2,456
Settlement or cancellation of accrual made at the end of the preceding year	(2,599)	(2,456)
Amounts accrued at the end of the current year	2,456	2,782
Movement in the year	(143)	326
Balance at 31 March	**2,456**	**2,782**

Note 26 – Cash Flow Statement – Operating Activities

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

	2017/18 £'000	2018/19 £'000
Interest Received	(535)	**(647)**
Interest Paid	14,556	**11,495**
(Surplus) or deficit on the provision of services (CIES)	960	**5,473**

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

	Notes	2017/18 £'000	2018/19 £'000
Depreciation	11 &13	14,670	**15,256**
Impairment and downward valuations	7	466	**116**
Amortisation	14	300	**174**
Increase in Interest Creditors		33	**(45)**
Increase/ (decrease) in Creditors	20	(3,922)	**3,396**
(Increase)/ decrease in Debtors	18	(308)	**541**
PFI adjustment		1,019	**-**
(Increase)/Decrease in Inventories	17	74	**(55)**
Pension Liability	36	9,204	**10,415**
Contributions to/(from) Provisions	21	516	**22**
Carrying amount of non-current assets sold	7	2,480	**1,936**
Carrying amount of short and long term investments sold		15	**-**
Adjustments for effective interest rates		-	(7)
Other non-cash items		**24,547**	**31,749**

Notes to the Financial Statements

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

	2017/18 £'000	2018/19 £'000
Capital grants credited to surplus or deficit on the provision of services	(7,238)	**(8,496)**
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)	**(1,463)**
	(8,760)	**(9,959)**

Note 27 – Cash Flow Statement – Investing Activities

	2017/18 £'000	2018/19 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(17,666)	**(22,610)**
Other Capital Payments	(159)	**-**
Purchase of short and long term investments	(11,383)	**(5,000)**
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,522	**1,463**
Proceeds from short-term and long-term investments	14	**10,001**
Other receipts from investing activities	7,308	**7,970**
Net cash flows from investing activities	**(20,364)**	**(8,176)**

Note 28 – Cash Flow Statement – Financing Activities

	2017/18 £'000	2018/19 £'000
Cash receipts of short and long-term borrowing	13,470	**80**
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,062)	**(968)**
Repayments of short and long-term borrowing	(6,826)	**(5,064)**
Net cash from financing activities	**5,582**	**(5,952)**

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 (2017/18: £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 £0.198m (2017/18: £0.200m). These costs are shown within the Partnership and Performance 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;
- Elected Members and Chief Officers, and
- NHS Boards

The following related party transactions in 2018/19 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.
f) Two of the Councils Elected Members have interests in NHS Forth Valley. During 2018/19 the Council commissioned services from NHS Forth Valley totalling £878k (2017/18 £725k) The Council entered into these contracts in full compliance with Contract Standing Orders. Details of these transactions are recorded in the Register of Members' Interest which can be found on the council's website.

The following table shows significant payments and receipts between Clackmannanshire Council and Clackmannanshire and Stirling Integration Joint Board

	2017/18 £'000	2018/19 £'000
Contribution payment made to Clackmannanshire and Stirling Integration Joint Board*	16,539	16,654
Commissioning income received from Clackmannanshire and Stirling Integration Joint Board*	(17,448)	(17,136)
	(909)	**(482)**

**after total risk sharing year-end adjustment of £1.977m (25% Clackmannanshire Council)*

Agreed Budget Contribution £16.041m plus additional contribution of £0.613m - £16.654m.

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.

	Restated 2017/18 £'000	2018/19 £'000
Opening Capital Financing Requirement		
Capital Investment	147,052	144,788
Property Plant & Equipment	17,420	22,630
Intangible Assets	241	74
Investment Properties	111	10
Asset Held for Sale	-	5
Revenue Expenditure Funded from Capital Under Statute	159	36
Investment in Coalsnaughton LLP	1,382	-
Sources of finance		
Capital receipts	(432)	(36)
Government grants and other contributions	(7,238)	(9,405)
Sums set aside from revenue:		
Direct revenue contributions	(5,674)	(4,675)
Repayment of Finance Lease Capital Debt	(1,062)	(968)
Loans Fund Principal	(7,184)	(7,479)
Other movements affecting the CFR	13	-
Closing Capital Financing Requirement	**144,788**	**144,980**
Increase/(decrease) in CFR (unsupported by government financial assistance)	(2,264)	192

Note: The 2017/18 figures have been updated to reflect the investment in Coalsnaughton during the year and investment properties not previously included. .

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	2018/19 £'000
Infrastructure Assets	**279**	**187**

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	2018/19 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	75	81
Non-current	167	87
Finance costs payable in future years	37	19
Minimum lease payments	**279**	**187**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
No later than one year	18	13	75	81
Later than one year not later than five years	19	6	167	87
	37	**19**	**242**	**168**

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	2018/19 £'000
Not later than one year	184	184
Later than one year and not later than five years	275	92
	459	**276**

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

	2017/18 £'000	2018/19 £'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

2018/19 was the 11th 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 2019, 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	3,676	1,146	3,315	8,137
Payable within 2 to 5 years	16,134	5,066	12,896	34,096
Payable within 6 to 10 years	23,886	7,811	14,712	46,409
Payable within 11 to 15 years	25,418	11,797	13,919	51,134
Payable within 16 to 20 years	32,124	14,387	9,031	55,542
Total	**101,238**	**40,207**	**53,873**	**195,318**

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	2018/19 £'000
Balance outstanding at start of year	**42,092**	41,100
Payments during the year	**(992)**	(893)
Balance outstanding at year-end	**41,100**	**40,207**

Notes to the Financial Statements

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 2018/19 the Council paid £3.516m to Teacher’s Pensions in respect of teachers’ retirement benefits. The comparative amount paid in 2017/18 was £3.040m which equates to 17.55% of pensionable pay.

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	
Comprehensive Income and Expenditure Statement (CIES)	**2017/18 £'000**	**2018/19 £'000**
Cost of Services:		
· Current service cost	13,732	14,170
· Past service costs	508	3,765
Financing and Investment Income and Expenditure:		
· Interest expense – defined benefit obligation	12,105	10,837
· Interest income on scheme assets	(7,798)	(8,156)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**18,547**	**20,616**
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	(17,654)
· Actuarial (gains)/losses arising on changes in demographic assumptions	719	-
· Actuarial (gains)/losses arising on changes in financial assumptions	(22,286)	32,310
· Other experience (gains)/losses	(62,855)	430
(Gain)/ loss recognised in the CIES	**(77,025)**	**15,086**
Total Post Employment Benefit Charged to the CIES	**(58,478)**	**35,702**
Movement in Reserves Statement (MIRS)		
Reversal of net charge made to the surplus or deficit on the provision of Services	**(18,547)**	**(20,616)**
Employer's Contributions Payable to Falkirk Pension Fund	9,343	10,201
Pensions Assets and Liabilities Recognised in the Balance Sheet	**(9,204)**	**(10,415)**

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 £'000	2018/19 £'000
Present value of the Pension Fund Liabilities (1)	(396,752)	(450,159)
Fair value of pension fund assets	301,230	329,136
Net Liability arising from Defined Benefit Obligation	**(95,522)**	**(121,023)**
(1) Unfunded liabilities included in the figure for Present value of liabilities is:	**17,833**	**18,398**

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	2018/19 £'000
Opening Balance at 1 April	**(462,777)**	**(396,752)**
Current service cost	(13,732)	(14,170)
Interest cost	(12,105)	(10,837)
Contributions by Pension Fund participants	(2,238)	(2,244)
Re-measurement gains/(losses)		
Actuarial gains/losses from change in demographic assumptions	(719)	-
Actuarial gains/(losses) from change in financial assumptions	22,286	(32,310)
Actuarial gains/(losses) from other experiences	62,855	(430)
Past service costs	(508)	(3,765)
Benefits paid	10,186	10,349
Closing value at 31 March	**(396,752)**	**(450,159)**

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

	2017/18 £'000	2018/19 £'000
Opening fair value of pension fund assets	**299,434**	**301,230**
Interest income	7,798	8,156
Return on pension assets (excluding amounts included in net interest)	(7,397)	17,654
Contributions from employers	9,343	10,201
Contributions by employees in the scheme	2,238	2,244
Benefits paid	(10,186)	(10,349)
Closing fair value of pension fund assets	**301,230**	**329,136**

Notes to the Financial Statements

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	2018/19 £'000
Equity instruments (by industry type)		
- Consumer	28,314	26,263
- Manufacturing	15,138	19,923
- Energy & Utilities	10,362	12,410
- Financial institutions	23,241	24,539
- Health & Care	10,925	10,896
- Information & Technology	20,110	29,145
- Other	4,513	116
Sub Total Equity	**112,603**	**123,292**
Debt Securities		
- Corporate Bond (investment grade)	2,910	-
	2,910	**-**
Property (by type)		
- UK	18,262	19,370
- Overseas	172	2,875
Sub Total Property	**18,434**	**22,245**
Private Equity		
- UK	8,376	8,558
Sub Total Private Equity	**8,376**	**8,558**
Other Investment funds		
- Equities	64,797	68,958
- Bonds	22,948	24,559
- Infrastructure	22,416	27,460
- Other	31,478	33,814
Sub Total Other Investment Funds	**141,639**	**154,791**
Cash and cash equivalents	17,268	20,250
Total Assets	**301,230**	**329,136**

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	2018/19
Long-term expected rate of return on assets in the fund		
Equity investments	2.7%	2.4%
Bonds	2.7%	2.4%
Property	2.7%	2.4%
Cash	2.7%	2.4%

Mortality assumptions

	2017/18 Years	2018/19 Years
Longevity at 65 for current pensioners (years):		
Men	21.2	21.2
Women	23.7	23.7
Longevity at 65 for future pensioners (years):		
Men	22.7	22.7
Women	25.5	25.5

Inflation assumptions

	2017/18	2018/19
Rate of inflation	2.4%	2.5%
Rate of increase in salaries	2.9%	3.0%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting Fund liabilities	2.7%	2.4%

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

	Increase to Employer %	Monetary Amount £'000's
0.5% Decrease in Real Discount Rate	10.0%	44,663
0.5% increase in the Salary Increase Rate	2.0%	7,918
0.5% increase in the Pension Increase Rate	8.0%	35,881

McCloud Ruling

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court, but in June 2019 the Supreme Court ruled that the Government has no grounds for appeal and the earlier ruling by the Court of Appeal was upheld.

The clear expectation from this ruling is that many more members would see an enhanced benefit rather than just those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Falkirk Council Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Clackmannanshire Council is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.4% higher as at 31 March 2019, an increase of approximately £1.7m.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions. The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

Guaranteed Minimum Pension (GMP)

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number or reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The Fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Clackmannanshire Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

Notes to the Financial Statements

The estimate as it applies to Clackmannanshire Council is that total liabilities could be 0.23% higher as at 31 March 2019, an increase of approximately £0.986m.

These numbers are approximate estimates based on employer data as at 31 March 2017 and will be revised at the next formal valuation of the Fund.

Impact on the Authority's Cash Flow

The objectives of the LGPS are to keep employers' contributions at a constant rate where possible. The next triennial valuation will be completed by 31 March 2020 which will provide the rates for future years.

Contribution rates have been set at:

2018/19	21.5%
2019/20	22%
2020/21	22.5%

The total contributions expected to be made by Clackmannanshire Council to Falkirk Pension Fund in the year to 31 March 2020 is £8.218m.

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.

Insurance

Prior to local government reorganisation in 1996, Central Regional Council and Clackmannan District Council, entered into a solvent run-off arrangements with their insurer, MMI, with the aim of having sufficient assets to meet outstanding insurance claims. The outcome of recent litigation has triggered the Scheme of Arrangement and created a financial liability for Clackmannanshire Council as successor Council. The Council has made a provision, as detailed in Note 22, and this has been adequate to cover all claims to date. However should additional claims arise over and above the remaining provision, there remains potential for an increase in provision. The timing and amount of any further liability in relation to MMI claims is unknown.

Legal Cases – Ordinarily Resident

A dispute has arisen around the Ordinarily Resident status of five 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 £17.0m, 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 2019 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 £2.528m, (2017/18 £3.237m) is past its due date for payment. The past due amount can be analysed by age as follows:

	2017/18 £'000	2018/19 £'000
Less than three months	1,335	939
Three to six months	164	81
Six months to one year	205	181
More than one year	1,533	1,328
Total	**3,237**	**2,529**

During the year a sum of £234k was charged to the Comprehensive Income and Expenditure statement, increasing the provision against current debts to £1.002m.

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**	**2018/19 £'000**
Public Works Loans Board	77,515	72,513
LOBO Loan	5,000	5,000
Market Debt	19,431	19,362
Other Short Term Borrowings	-	-
Total	**101,946**	**96,875**

Maturity Structure	**2017/18 £'000**	**2018/19 £'000**
Less than 1 year	5,063	63
Between 1 and 2 years	63	475
Between 2 and 5 years	3,546	3,546
Between 5 and 10 years	5,769	5,295
More than 10 years	87,505	87,496
Total	**101,946**	**96,875**

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 Council 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 reduced 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.

Notes to the Financial Statements

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.

	2017/18 £'000	2018/19 £'000
The Council administers the funds for 61 (2017/18 61) Trusts:		
Value of other Charitable Trusts and Endowments	362	357
Total value of all Trusts and Endowments	**362**	**357**

HOUSING REVENUE ACCOUNT (HRA)
Income and Expenditure Statement for the year ended 31 March 2019

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.

2017/18 £'000		2018/19 £'000
	Expenditure	
5,692	Repairs and maintenance	5,780
3,688	Supervision and management	4,200
7,434	Depreciation and impairment of non-current assets	7,819
446	Impairment of debtors	308
454	Other Expenditure	604
17,714	**Total Expenditure**	**18,711**
	Income	
(18,704)	Dwelling Rents	(19,078)
(71)	Non-dwelling rents	(66)
(18,775)	**Total income**	**(19,144)**
(1,061)	**Net Cost of HRA Services**	**(433)**
753	(Gain)/Loss on sale of HRA non-current assets	211
1,430	Interest payable and similar charges	1,277
(43)	Interest and investment income	(38)
499	Pensions interest cost and expected return on pension assets	275
(247)	Capital grants and contributions receivable	(578)
2,392		**1,147**
1,331	**Deficit/(Surplus) for the year on HRA Services**	**714**

HOUSING REVENUE ACCOUNT (HRA)
Movement in Housing Revenue Account Statement

2017/18 £'000		2018/19 £'000
(1,973)	**Balance on the HRA at the end of the previous year**	**(2,559)**
1,331	Deficit/(Surplus) for the year on the HRA Income and Expenditure Statement	714
(1,917)	Adjustments between accounting basis and funding basis under regulations (Note HRA 1)	(2,241)
-	Transfers to/from Reserves	364
(586)	(Increase)/Decrease in the year on HRA	(1,163)
(2,559)	**Balance on the HRA at the end of the current year**	**(3,722)**

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

2017/18 £'000		2018/19 £'000
(753)	Gain/(Loss) on sale and disposal of HRA non-current assets	(211)
5,674	Capital expenditure funded by the HRA (CFCR)	4,596
247	Capital Grants contributions that have been applied to capital financing	578
	Transfer to/from the Capital Adjustment Account:	
(7,434)	- Depreciation and Impairment	(7,819)
1,557	- Repayment of Debt	1,517
(1,235)	HRA share of contributions to/from the Pension Reserve	(929)
27	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
(1,917)		**(2,241)**

HRA 2. Housing Stock

The Council's housing stock at 31 March 2019 was 4,963 (31 March 2018 4,954) in the following categories:

2017/18 Number (revised)		2018/19 Number
25	One apartment	31
1,369	Two apartment	1,367
2,209	Three apartment	2,206
1,227	Four apartment	1,216
136	Five apartment	139
1	Six apartment	4
4,967		**4,963**

HOUSING REVENUE ACCOUNT (HRA)

HRA 3. Rent Arrears

Rent Arrears increased during the year by £0.083m to a total of £1.803m (2017/18 £1.720m). As a percentage of gross rental income, the arrears represent 9.4% (2017/18 9.19%) which is equivalent to £364 (2017/18 £347) per house.

HRA 4. Impairment of Debtors

In 2018/19 an impairment of £1.593m (2017/18 £1.386m) has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.207m on the provision in 2017/18.

HRA 5. Rent Lost Due To Empty Properties

Rent lost due to empty properties during the year was £0.455m (2017/18 £0.401m) this is included within the other expenditure figures in the Income and Expenditure Statement.

Council Tax Income Account for the year ended 31 March 2019

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.

2017/18 £'000		2018/19 £'000
(27,983)	**Gross Council Tax levied and contributions in lieu**	(29,050)
	Deduct	
3,288	Other discounts and reductions	3,465
582	Write-off of uncollectable debts and allowance for impairment	805
11	Adjustments to previous years Council Tax	50
3,400	Council Tax Reduction Scheme	3,417
(20,702)	**Net Council Tax Income transferred to General Fund**	**(21,313)**

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 2018/19 was £1,217.91 (2017/18 £1,182.44). This was a 3% increase from the previous year.

Valuation Band	Council Tax Charge £
A (disabled relief)	676.62
A	811.94
B	947.27
C	1,082.59
D	1,217.91
E	1,600.20
F	1,979.11
G	2,385.08
H	2,983.89

Council Tax Income Account for the year ended 31 March 2019

CTI.2 Calculation of the Council Tax Charge Base 2018/19

number of dwellings (properties)

	A (Disabled) Relief)	A	B	C	D	E	F	G	H	Total
Total number of dwellings	-	6,319	7,320	2,057	2,628	3,285	1,968	895	52	**24,524**
Less exempt dwellings	-	(315)	(256)	(90)	(53)	(47)	(22)	(15)	(6)	**(804)**
Dwellings subject to disabled reduction	-	(25)	(34)	(24)	(21)	(49)	(16)	(6)	(2)	**(177)**
Dwellings subject to tax at this band due to disabled relief	25	34	24	21	49	16	6	2	-	**177**
Less adjustments for single discounts	(3)	(881)	(781)	(211)	(200)	(190)	(70)	(31)	(1)	**(2,368)**
Less adjustments for double discounts	-	(32)	(32)	(14)	(13)	(11)	(6)	(3)	-	**(111)**
Less adjustments for disregarded adults	-	(2)	(2)	-	-	-	-	-	-	**(4)**
Effective number of dwellings after discounts, exemptions and reliefs	**22**	**5,098**	**6,239**	**1,739**	**2,390**	**3,004**	**1,860**	**842**	**43**	**21,237**
Band D equivalent factor (ratio)	(200/360)	(240/360)	(280/360)	(320/360)	(360/360)	(473/360)	(585/360)	(705/360)	(882/360)	
Band D equivalent properties Number of Dwellings	12	3,399	4,853	1,546	2,390	3,947	3,022	1,649	105	**20,923**
Less provision for non-collection @ 2.5%										(523)
Council Tax Base 2018/19										**20,400**

Non Domestic Rates Income Account for the year ended 31 March 2019

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.

Restated 2017/18 £'000		2018/19 £'000
(20,582)	**Gross rates levied and contributions in lieu**	**(21,103)**
3,916	Reliefs and other deductions	4,131
713	Allowance for impairment of debts and appeals	(144)
(15,953)	**Net Non-Domestic Rate Income**	**(17,116)**
(87)	Adjustment to previous years' national non-domestic rates	390
(30)	Discretionary Reliefs charged to the General Fund	(37)
(16,070)	**Total Non-Domestic Rates Income/Income for Contribution to Non-Domestic Rate Pool**	**(16,763)**

2017/18 £'000		2018/19 £'000
16,070	Contribution to National Non-Domestic Rate Pool	16,763
(14,928)	Distribution from National Non-Domestic Rate Pool	(15,326)
1,142	(Gain)/Loss from National Pool	1,437
(14,928)	**Net NNDR Income per the Comprehensive Income and Expenditure Statement (Note 10)**	**(15,326)**

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

Note: The 2017/18 figures have been restated to match the audited Notified amount submitted to the Scottish Government.

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 £0.480 which is determined each year by the Scottish Government.

NDR 2. Rate Poundages Levied

	2017/18	2018/19
National Non-Domestic Rate	46.6p	48.0p
Large Property Supplement – properties valued > £51,000	2.6p	2.6p

NDR 3. Analysis of Rateable Values as at 1 April 2018

	Number of Premises	Rateable Value £'000
Type of Subject		
Commercial	892	15,710
Industrial	304	16,920
Miscellaneous	419	10,101
Total	**1,615**	**42,731**

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 2019

2017/18 £'000		2018/19 £'000	2018/19 £'000
	Income		
(247)	Charges for use of premises	(287)	
(247)			**(287)**
	Expenditure		
37	Property Maintenance	75	
50	Utilities	52	
96	Rates	94	
43	Cleaning, land services and refuse collection	44	
20	Insurance	22	
1	Furniture	-	
176	Depreciation and Impairment	180	
423			**467**
176	**Cost of Services**		**180**
(90)	Taxation and Non-Specific Grant Income		(19)
86	**(Surplus)/Deficit on Provision of Services**		**161**
86	**Total Comprehensive (Income) and Expenditure**		**161**

Common Good Balance Sheet
As at 31 March 2019

Restated 2017/18 £'000		2018/19 £'000
	Long-Term Assets	
4,027	Property, Plant and Equipment	3,865
	Current Assets	
9	Short-Term Investments	9
4,036	**Net Assets**	**3,874**
9	Usable Reserves	9
248	Revaluation Reserve	248
3,779	Capital Adjustment Account	3,617
4,036		**3,874**

Common Good Movement on Reserves Statement
As at 31st March 2019

2018/19	**Notes**	**Usable Reserves £'000**	**Unusable reserves £'000**	**Total reserves £'000**
Balance at 1st April		**(9)**	**(4,027)**	**(4,036)**
Movement in reserves during 2018/19				
Total comprehensive income and expenditure		161	-	161
Adjustment between accounting basis and funding	1	(161)	161	-
Increase or (decrease) in 2018/19		-	161	161
Balance at 31st March 2019		**(9)**	**(3,866)**	**(3,875)**

Restated 2017/18	**Notes**	**Usable Reserves £'000**	**Unusable reserves £'000**	**Total reserves £'000**
Balance at 1st April		**(9)**	**(4,113)**	**(4,122)**
Movement in reserves during 2017/18				
Total comprehensive income and expenditure		86	-	86
Adjustment between accounting basis and funding	1	(86)	86	-
Increase or (decrease) in 2017/18		-	86	86
Balance at 31st March 2018		**(9)**	**(4,027)**	**(4,036)**

Note: 2017/18 restatement is due to figures for 2017/18 REFCUS transactions were not updated in the statement in line with the CIES.

Notes to the Common Good Account

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

2018/19	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	(180)	180
Capital Grants and Contributions Applied	19	(19)
	(161)	**161**

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

Group Financial Statements

The Council has interests in its subsidiary, associates and joint ventures. 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:

Subsidiary:

- **Common Good – the Common Good is administered and fully controlled by Clackmannanshire Council** and 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.

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 2018/19 was £16.6m (2017/18 £15.341m). 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 2018/19 or 2017/18 financial years.

Associates:

- **Central Scotland Valuation Joint Board**
  The Central Scotland Valuation Joint Board (VJB) 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 2018/19 was £0.381m (2017/18: £0.381m). The VJB board comprises fifteen voting members with three elected members of Clacksmannanshire Council (20% voting share) the accounts are consolidated based on the payment share of 15.4%.
- **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 £172,093 was charged for the year to 30 September 2018. Additional loan funding was paid to the JV amounting to £310,090 bringing the total loan up to £4,537,542 to 30 September 2018.

Group Comprehensive Income & Expenditure Statement

This statement combines the Comprehensive Income and Expenditure of the Council with the share of its subsidiary, associates and joint ventures income and expenditure to show the group position.

Restated 2017/18 Gross Expenditure	Restated 2017/18 Gross Income	Restated 2017/18 Net Expenditure /(Income)		2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure /(Income)
£'000	£'000	£'000		£'000	£'000	£'000
69,652	(5,687)	63,965	People	72,198	(4,922)	67,276
32,297	(19,292)	13,005	Partnership & Performance	30,768	(19,714)	11,054
28,599	(8,566)	20,033	Place	27,952	(8,370)	19,582
17,714	(18,775)	(1,061)	Housing Revenue Account	18,713	(19,144)	(431)
3,603	(1,805)	1,798	Corporate Services	2,220	-	2,220
43,808	(28,186)	15,622	Clackmannanshire & Stirling IJB	45,471	(28,634)	16,837
380	(247)	133	*Common Good*	423	(287)	136
381	-	381	Valuation Joint Board	381	-	381
196,434	**(82,558)**	**113,876**	**Group Cost of Services**	**198,126**	**(81,071)**	**117,055**
333	-	333	*Share of associates & Joint Ventures*	**155**	**-**	**155**
958	**-**	**958**	Gain/loss on sale of Non Current Assets	**473**	**-**	**473**
14,556	**(2,020)**	**12,536**	Financing and Investment Income and Expenditure	**11,611**	**(779)**	**10,832**
-	**(126,234)**	**(126,234)**	Taxation and Non-Specific Grant Income	**-**	**(122,726)**	**(122,726)**
212,281	**(210,812)**	**1,469**	**(Surplus) or Deficit on Provision of Services**	**210,365**	**(204,576)**	**5,789**
		(103)	(Surplus) or Deficit on revaluation of non-current assets			(504)
		169	Impairment losses on non-current assets charged to the revaluation reserve			1,947
		(77,025)	Remeasurement of the net defined liability / (asset)			15,086
		(507)	*Share of associates & Joint Ventures*			89
		(77,466)	**Other Comprehensive (Income) and Expenditure**			**16,618**
		(75,997)	**Total Comprehensive (Income) and Expenditure**			**22,407**

Note: The 2017/18 figures have been restated in the Group statements to reflect the removal of the inter- entity transactions related to the Common Good and Council. The service costs have also been restated to reflect the change in council reporting structure.

Group Movement in Reserves Statement For the Year Ended 31st March 2019

This statement shows the movement in the year on the different reserves held by the Council alongside the reserves of the subsidiary, 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
2018/19 Balance at 1 April	**(20,003)**	**(2,320)**	**(22,323)**	**(120,281)**	**(3,147)**	**(123,428)**	**(145,750)**
Movement in Reserves during 2018/19	(11)	(10)	(21)	22,013	304	22,317	22,296
Balance at 31 March 2019	**(20,014)**	**(2,329)**	**(22,343)**	**(98,268)**	**(2,843)**	**(101,111)**	**(123,454)**

	Restated Council Usable Reserves £'000	Group Usable Reserves £'000	Restated Total Usable Reserves £'000	Restated Council Unusable Reserves £'000	Group Unusable Reserves £'000	Restated Total Unusable Reserves £'000	Restated Total Reserves £'000
2017/18 Restated Balance at 1 April	**(16,096)**	**(2,208)**	**(18,304)**	**(48,188)**	**(2,778)**	**(50,966)**	**(69,270)**
Movement in Reserves during 2017/18	(3,907)	(112)	(4,019)	(72,093)	(369)	(72,462)	(76,480)
Balance at 31 March 2018	**(20,003)**	**(2,320)**	**(22,323)**	**(120,281)**	**(3,147)**	**(123,428)**	**(145,750)**

Group Balance Sheet as at 31st March 2019

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.

2017/18 Restated £'000		2018/19 £'000
357,888	Property, Plant & Equipment	361,875
835	Heritage Assets	795
3,782	Investment Properties	5,029
781	Intangible Assets	681
9,265	Long-Term Investments	4,358
2,228	*Investments in Associates and Joint Ventures*	2,248
1	Long-Term Debtors	1
374,780	**Non-Current Assets**	**374,987**
1,566	Investment Properties held for Sale	505
400	Assets held for Sale	-
385	Inventories	440
12,278	Short-Term Debtors	12,264
10,010	Short-Term Investments	9,916
9,859	Cash and Cash Equivalents	12,048
34,498	**Current Assets**	**35,173**
(7,307)	Short-Term Borrowing	(2,343)
(21,193)	Short-Term Creditors	(24,957)
(814)	Provisions	(835)
(29,314)	**Current Liabilities**	**(28,135)**
(21)	Provisions	(21)
(96,883)	Long-Term Borrowing	(96,812)
(797)	*VJB Liabilities*	(950)
(136,512)	Other Long-Term Liabilities	(160,788)
(234,213)	**Long-Term Liabilities**	**(258,571)**
145,751	**Net Assets**	**123,454**
(22,323)	Usable Reserves	(22,343)
(123,428)	Unusable Reserves	(101,111)
(145,751)	**Total Reserves**	**(123,454)**

The unaudited financial statements were issued on 27 June 2019 and the audited financial statements were authorised for issue on 26 September 2019.

Lindsay Sim
Chief Finance Officer
26 September 2019

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 subsidiary, 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 Subsidiary (Common Good), Associate, Joint Ventures and entities on the Group Balance Sheet is to increase both the Reserves and Net Assets by £5.3m (2017/18: £5.5m).

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 (31/3/19).

The Associates which have been incorporated and shares of total requisitions are:
- Central Scotland Valuation Joint Board – 15.4% (31/3/19)
- Coalsnaughton NHT 2012 LLP – 25% (30/9/18)

The Joint Ventures which have been incorporated and percentage of total shareholdings are:
- CSBP Clackmannanshire Investments Limited – 50% (31/3/18)
- Clackmannanshire & Stirling Integration Joint Board – 25% (31/3/19)

For the accounts where the accounting period is different to the council's, information has been provided to ensure there has been no material change which would impact on the group statements for transactions up to the 31st March 2019.

The individual accounts relating to these entities are published separately, and are available from Companies House or the Chief Finance Officer and section 95 Officer, Kilncraigs, Alloa, FK10 1EB.

Notes to the Group Financial Statements

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 Non-Material Interest in Other Entities

The Council also has an interest in SEEMIS Group LLP, Scotland Excel and Clackmannanshire Regeneration LLP. The financial results of the organisations have not been consolidated into the Councils Group Accounts as they are considered immaterial to the understanding of the accounts.

GRP 6 Financial Results of Associates and Joint Ventures

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

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

2017/18 Group Aggregate £'000	2017/18 Council Share £'000		2018/19 Group Aggregate £'000	2018/19 Council Share £'000
5,728	1,428	Long term Assets	6,158	1,536
3,721	989	Current Assets	3,398	903
(379)	(102)	Current Liabilities	(493)	(116)
(5,741)	(884)	Long Term Liabilities (*including pension liability)*	(6,655)	(1,025)
3,329	**1,431**	**Net Assets or (Liabilities)**	**2,408**	**1,298**

2017/18 Group Aggregate £'000	2017/18 Council Share £,000		2018/19 Group Aggregate £'000	2018/19 Council Share £'000
184,750	45,890	Gross Expenditure	194,017	48,208
(183,292)	(45,557)	Gross Income	(193,226)	(48,053)
1,458	**333**	**(Surplus) / deficit on provision of services**	**791**	**155**
(3,298)	(507)	Other comprehensive (income)/expenditure	578	89
(1,840)	**(174)**	**Total Comprehensive (Income)/Expenditure**	**1,369**	**244**

Notes to the Group Financial Statements

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

2017/18 Total Liability £'000	2017/18 Council Share £'000		2018/19 Total Liability £'000	2018/19 Council Share £'000
(5,176)	**(797)**	Central Scotland Valuation Joint Board	**(6,655)**	**(1,025)**

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.

2017/18 £'000		2018/19 £'000
466	(Surplus) / deficit on provision of services Group Entities	291
1,003	(Surplus) / deficit on provision of services Council	5,498
1,469	**(Surplus) / deficit on provision of services Total**	**5,789**

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

2017/18 £'000		2018/19 £'000
(2,311)	**Usable Reserves**	(2,320)
	Unusable Reserves	
(7)	Capital Adjustment Account	(6)
-	Revaluation Reserve	-
3	Employee Statutory Adjustment Account	3
884	Pension Reserve	1,025
880	**Total Unusable Reserves**	**1,022**
(1,431)	**Total Group Entities Reserves**	**(1,298)**