
Report to : Council

Date of Meeting: 23 September 2010

Subject: External Audit Report on Statement of Accounts 2009/10
and Audited Statement of Accounts 2009/10

Report by: Finance Manager

1.0 Purpose

- 1.1. This report brings to the Council the report by our external auditors Grant Thornton on the audit of the Council's accounts for 2009/10. This is included as Appendix 1, titled 'Key Issues Memorandum'.
- 1.2. Following the conclusion of the audit, the Statement of Accounts for the year ended 31st March 2010 are included for approval as Appendix 2.

2.0 Recommendations

- 2.1. That the Council notes the content of the external audit report.
- 2.2. That the Council approves the audited Accounts for 2009/10.

3.0 Considerations

- 3.1. A draft set of unaudited accounts was presented to Council at its meeting on 23rd June 2010.
- 3.2. Our external auditors, Grant Thornton, have now completed the audit of these draft statements, and their report on the accounts '*Key Issues Memorandum*', is included at Appendix 1. Section 2 of their report highlights the financial results and their comments on the main issues. Section 3 covers the main matters identified during the audit, and management response where appropriate. Section 4 notes all the adjustments made to the draft accounts following the audit.

- 3.3. It will be noted at paragraph 3.1 of Grant Thornton's report that they give an unqualified opinion on the Council's 2009/10 financial statements.
- 3.4. Following the completion of the audit, the Statement of Accounts have been revised to include the adjustments referred to within the auditors report. It should be highlighted that most of these adjustments are related to the complexities of bringing into account the three PPP secondary schools on balance sheet in accordance with new International Financial Reporting Standards. There is also now a re-classification of certain assets correctly recognised as being held under Common Good. A revised housing benefit subsidy claim submitted after the draft accounts were prepared has resulted in additional income due to the Council of £202k and this change is reflected as a change in the surplus achieved for the year. The audited Statement of Accounts for 2009/10 are included at Appendix 2 for formal approval.
- 3.5. It is the intention of Grant Thornton to attend this Council meeting to give members the opportunity to ask questions on their report.

4.0 Sustainability Implications

4.1. N/A

5.0 Resource Implications

5.1. *Financial Details*

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

5.4. *Staffing - none*

6.0 Exempt Reports

6.1. Is this report exempt? Yes (please detail the reasons for exemption below) No

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities 2008 - 2011** (Please double click on the check box)

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment

- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(2) Council Policies (Please detail)

8.0 Equalities Impact

- 8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
 Yes No

9.0 Legality

- 9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

- 10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Key Issues Memorandum - Grant Thornton

Audited Statement of Accounts 2009/10

11.0 Background Papers



- 11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)
 Yes (please list the documents below) No

Draft Statement of Accounts 2009/10 – report by Finance Manager to Special Council meeting, 23rd June 2010.

Author(s)

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Martin Dunsmore	Accounting & Budgeting Manager	2041

Approved by

NAME	DESIGNATION	SIGNATURE
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Key Issues Memorandum
Clackmannanshire Council
2009-10 accounts audit

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Contents

1	Executive summary	1
2	Financial results	2
3	Financial statements	10
4	Audit adjustments	16
5	Design effectiveness of internal controls	19
6	The small print	21

1 Executive summary

Financial results

The Council's accounts for 2009-10 record a net increase on the general fund of £2.4m (2008: £0.1m), including a budgeted contribution to reserves of £1m. The total general fund balance at 31 March 2010 now stands at £7.97m. Of this, £4.9m is earmarked for specific purposes, leaving £2.97m available for new expenditure or to meet the costs of contingencies and unforeseen events. This means that the Council has exceeded the £2.4m target for unearmarked reserves, set within the Finance Strategy for 2010-13.

The total net worth of the Council has decreased by £70m (2008-09 £38m), largely attributable to the increase in the value of the pension liability of £59m (2008-09 £24m). The Council will be required to make additional contributions to meet this liability in future years.

The Council reported a capital underspend on both the Housing and General Services capital budgets in the year. Actual spend was £3m and £7m less than budget for housing and general services respectively. A delay in appointing one of the key contractors on the kitchen and bathrooms replacement contract accounted for much of the underspend.

General services capital spend fell below budget, principally due to a change in the funding for the PPP project, which was part-funded by a £3m transfer from the Capital Receipts Reserve.

Financial statements

We expect to give an unqualified opinion on the Council's 2009-10 financial statements and conclude that the financial statements are prepared in accordance with Part VII of the Local Government (Scotland) Act 1973 and the 2009 SORP.

The accounts and supporting working papers presented for audit were of generally good quality, and this helped the audit to be completed in accordance with agreed timescales.

The most significant change to the SORP for 2009-10 is in respect of the accounting requirements for private finance initiative and similar contracts. These are no longer based on Financial Reporting Standard 5 but on an interpretation of IFRIC 12 'Service concession arrangements' contained in the Government Financial Reporting Manual. In practice, this has meant that the Three Schools PPP project has been brought on to the Council's balance sheet. A prior year adjustment has been processed in respect of Alloa and Alva Academies which were operational before 1 April 2009. Lornhill Academy was not occupied until April 2009 and is therefore treated as an addition in the current year.

Audit adjustments

Due to the complexity of bringing PPP assets on balance sheet, and revaluation exercise undertaken in-year, our audit identified a number of adjustments to the Council's draft financial statements which have now been processed through the revised accounts. The most significant adjustments related to:

- capitalising design and preconstruction costs relating to the Three PPP Schools project
- reclassifying assets identified as belonging to the Common Good Fund
- adjusting the overstated value of Alloa School.

There are three unadjusted misstatements relating to fixed asset reclassifications and an immaterial impairment to long term investments. If these misstatements were adjusted in the accounts, the result would be a small increase in the reported deficit of £129k. There would be no impact

on the general fund as the transaction would reversed out through the Statement on the Movement of the General Fund Balance.

Design effectiveness of internal controls

We have applied our risk methodology to the audit, which allows us to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit identified a small number of weaknesses in internal control arrangements. We noted that the fixed asset register is increasingly unfit for purpose. The move to IFRS based accounting in 2010-11 means that there are additional requirements to hold more detailed information on fixed assets for accounting purposes. We also noted a number of overpayments within payroll which were not identified by internal controls, and highlight weaknesses in the appointment of an internal valuer for accounts purposes. Our detailed findings are contained at Section 5 of this report.

Looking forward

The Scottish public sector is facing a period of sustained financial difficulty with the financial year 2009-10, likely to represent the peak year for public spending for some time to come. COSLA recommends that local authorities should assume that the starting point for financial planning for 2011-12 to 2013-14 is a 12% real terms reduction in Scottish government grant funding over this period. The public sector will not know the full impact of budget cuts until the Comprehensive Spending Review in October 2010. Reductions of this size mean that the Council will be unable to sustain current levels of service provision.

The Council has recently approved a framework for the Budget Strategy which recognises the scale of this challenge and sets a corporate savings target of £18 million over three years. The proposed budget strategy is based on:

- reducing expenditure
- increasing income
- redesigning service provision
- other initiatives such as procurement and integrated partnerships

The Council has recently launched a community engagement exercise to inform this process.

The implementation of the Clackmannanshire Improvement Model ensures that all services focus on outcomes for communities, and helps to inform priorities for services going forward.

Acknowledgements

We would like to take this opportunity to thank the staff who have been involved in this review for their assistance and co-operation.

Gary Devlin, Director
For Grant Thornton UK LLP

2 Financial results

2.1 Income and expenditure

Income and Expenditure Account

	2008 £m	2009 £m	2010 £m
Net operating expenditure	110	123	157
Financing	(96)	(108)	(115)
Deficit for the year	14	14.5	42
Statutory adjustments to general fund	(15)	(15.5)	(44)
Increase on the general fund	(1)	(1)	(2)

Commentary

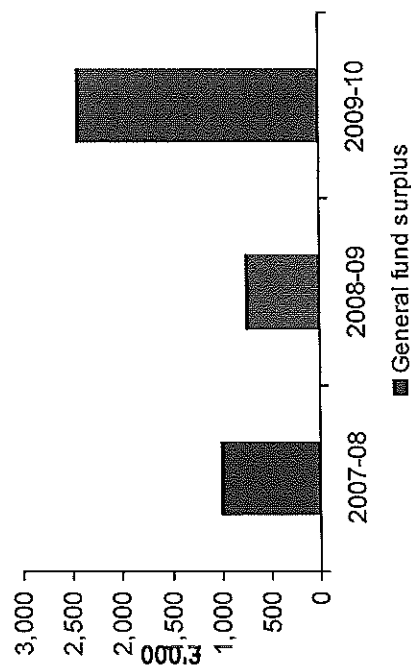
The Council's accounts record a deficit on the Income and Expenditure account for 2009-10 of £42.4m (2008-09: £14.7m). The net increase on the general fund during the year was £2.4m (2008-09: £0.1m).

Net expenditure on the cost of council provided services has increased from the prior year by £26m which is largely represented by the impairment loss of £30.6m which has been charged to services. The impairment is covered further in section 2.3 on capital expenditure.

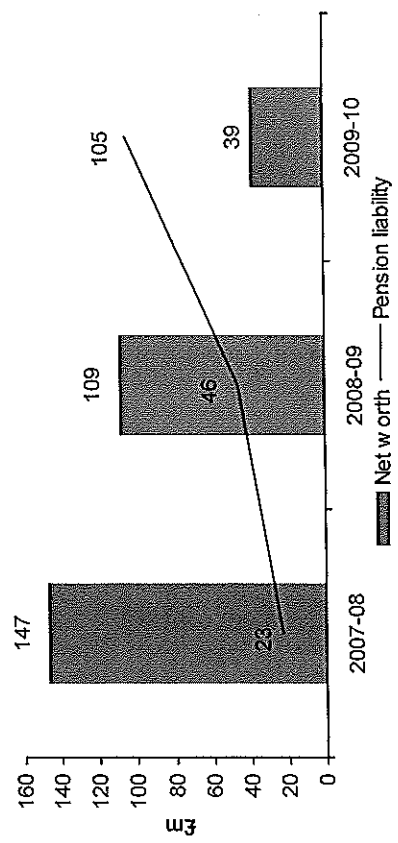
The general fund balance increased by £2.4m which reflects the budgeted contribution of £1m and the significant effort by management and the finance team to contain costs throughout the year. Further information is provided in section 2.5 on the general fund.

Performance against budget

The Council achieved a surplus of £2.4m for the year compared to its budget forecast of a surplus of £2.7m. The Council did record an overspend of £1m in net cost of services, but this was offset by savings in the budgeted support for the Three Schools PPP Scheme (£1.1m) due to delays in the completion of the project, together with an underspend of £0.6m in the devolved education budget.



2.2 The total net worth of the Council has fallen



Commentary

The total net worth of the Council has decreased by £70m (2008-09 £38m). This is attributable to the increase in the value of the pension liability of £59m (2008-09 £24m) and the increase in long term borrowing of £10m.

Pension fund

The Council recognises its share of the assets and liabilities in the Falkirk Council Pension Fund, which at 31 March 2010, was a deficit of £105m (2008-09: £46m).

Several adverse changes in assumptions have resulted in the increased liability. The main changes are summarised below:

- the real discount rate, based on corporate bond rates, has fallen to 5.5% (2008-09 6.9%) and this has outweighed the positive return on assets
- a strengthening of the post retirement mortality assumptions has served to increase liabilities further.

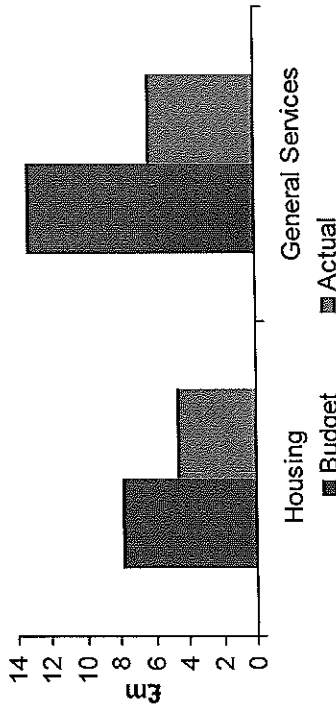
The Council will be required to make increased contributions in future years to meet this liability.

Net debt

The profile of net debt has changed substantially from the previous year with a £41m reduction in cash and short term investments. However, this is partly due to the timing of loan drawdowns and the underlying increase in net debt is £24.4m bringing the balance to £166.3m. This increase has funded the capital programme as discussed further in section 2.3.

The Council's net borrowing for 2009-10 remained within the Capital Financing Requirement. The Council's Prudential Indicators for 2010-11 to 2012-13 confirm that net borrowing will be within agreed limits, although the financing limit will increase over the period because much of the approved capital expenditure programme is financed by debt.

2.3 The Council has recorded an underspend against the capital budget



Commentary

A significant revaluation and reclassification exercise carried out as at 1 April 2009 resulted in an impairment of £30.6m and a revaluation gain of £27.4m on other assets.

Budget comparison

The Council reported a capital underspend on both the Housing and General Services capital budgets in the year. Actual spend was £3m and £7m less than budget for housing and general services respectively.

Delays in implementing the kitchen and bathrooms replacement contract accounted for the majority of the underspend on housing services.

General services is below budget due to changes in the funding. This includes £2.8m spend on the PPP project being funded from the Capital Receipts Reserve as part of a £3m transfer and a significant number of capital projects were still in the consultation phase.

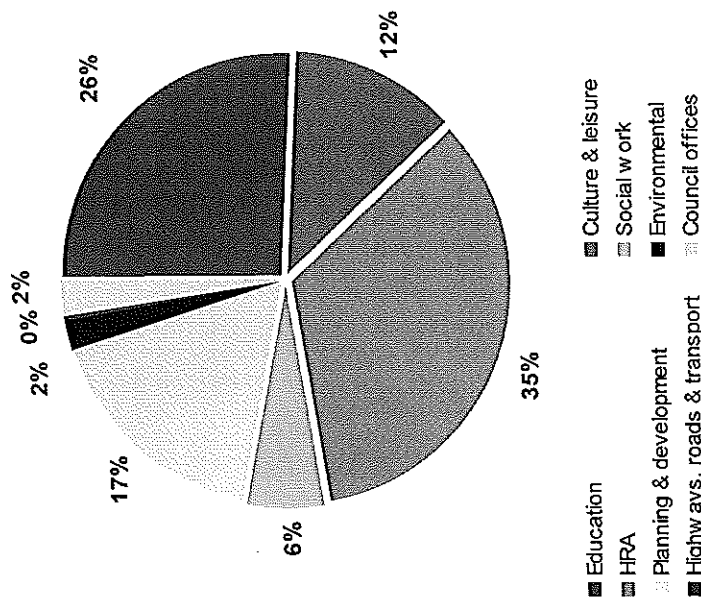
PPP asset accounting entries

	Cost £000	Revaluation £000	Impairment £000
2008-09 additions:			
• Alloa	19,574	19,148	426
• Alva	21,939	21,414	525
2009-10 additions			
• Lornshill	21,705	19,437	2,268
Total	63,218	59,999	3,219

PPP schools accounting

The SORP 2009 required the Council's PPP schools to be brought on balance sheet this year with a corresponding adjustment to the prior year figures. The impact on assets in relation to these schools is shown in the table. The three schools were valued internally by a RICS qualified surveyor and resulted in a total impairment of £1.9 million as some construction costs were not considered to be enhancing expenditure.

Impairment impact on I&E account
2009-10



Revaluation and reclassification

The Valuation Office Agency was contracted to perform the revaluation, as at 1 April 2009, for all council dwellings and land and buildings (excluding the PPP schools valued internally).

As part of this process, the property services team were involved in a reclassification process to ensure all assets were appropriately categorised ahead of the implementation of full IFRS financial statements from 1 April 2010.

Revaluation gain

The revaluation gain of £27.4m includes the following key revaluations:

- The old Alva Academy was revalued from nil to £5.8m based on the DVS assumption that this was an operational school at 1 April 2009. We recommended an impairment review at 31 March 2010 given that the school is no longer operational and is potentially only worth the land value.
- The old Alloa Academy was revalued by £4.9m up to £6m based on land values as the land is currently under sale negotiations.

Impairment loss

As seen in the chart, the bulk of the impairment loss relates to the HRA. This represents a loss of £10m on council dwellings and indicates that the cost capitalised against each property following kitchen and bathroom replacements is higher than the value added to each property.

Education services takes 26% of the total impairment loss (£7.9m). This represents £1.9m on the new PPP schools on recognition and £2.2m on the old Lornhill Academy whose site was transferred under the PPP agreement.

2.4 Housing revenue account

Housing revenue account	2008-09 £000	2009-10 £000
Net cost of HRA services	3,776	10,904
Non operating costs	1,282	1,954
Deficit for the year	5,058	13,025
Net amount (credited) to the HRA reserve by statute	(3,754)	(11,235)
Decrease on the HRA reserve	1,304	1,790
HRA surplus brought forward	(7,356)	(6,052)
HRA surplus carried forward	(6,052)	(4,262)

Commentary

The Housing Revenue Account (HRA) Income and Expenditure account reported a deficit of £13m (2008-09 £5m) for the year. For the year ending 31 March 2010, the Council had total HRA reserves of £4.2m.

The Council made a decision on 8 December 2005 to retain all housing stock and meet or exceed the requirements of the Scottish Housing Quality Standard (SHQS) by 2015 from its own resources. In accordance with the current Business Plan, the Council anticipates that the HRA reserves will continue to be used over the next three years to support capital investment in housing stock, required to meet the SHQS standard. During 2009-10, £2.56m of capital expenditure was funded from the HRA reserve (2008-09 £2.1m).

One of the major impacts on the deficit for the year is the impairment of £10m, which is reversed out of the HRA fund for statutory purposes. This is discussed further in section 2.3 above.

2.5 General fund

General fund allocations	2009-10 £'000	2008-09 £'000
Devolved management within schools	235	488
Secondary schools PPP	1,656	1,524
Service improvement contracts	815	625
Single status	1,769	1,255
Modernising Government	164	560
Zero waste fund	134	154
Adult care	59	(77)
Homeless assessment centre	160	-
Total earmarked	4,992	4,529
Un-earmarked	2,772	1,002
Total general fund	7,764	5,531

Commentary

The reserves position has improved from 2008-09 with the total general fund balance at 31 March 2010 being £7.76m. Of this, £4.9m is earmarked for specific purposes, leaving £2.77m available for new expenditure or to meet the costs of contingencies and unforeseen events.

Un-earmarked reserves

The Council established a target for un-earmarked reserves within the finance strategy for 2010-13 and has exceeded it's £2.4m target by £0.37m. This represents a significant achievement in the current economic climate.

During the 2009-10 budget setting process, the Council approved a revised target for unearmarked reserves of 2.5% of net operating expenditure, with the aim of achieving this position by 2011-12. The Council has budgeted for the following transfers to reserves over the next three years to achieve this target:

- 2009-10: £1 million
- 2010-11: nil
- 2011-12: £0.5 million
- 2012-13: £1 million

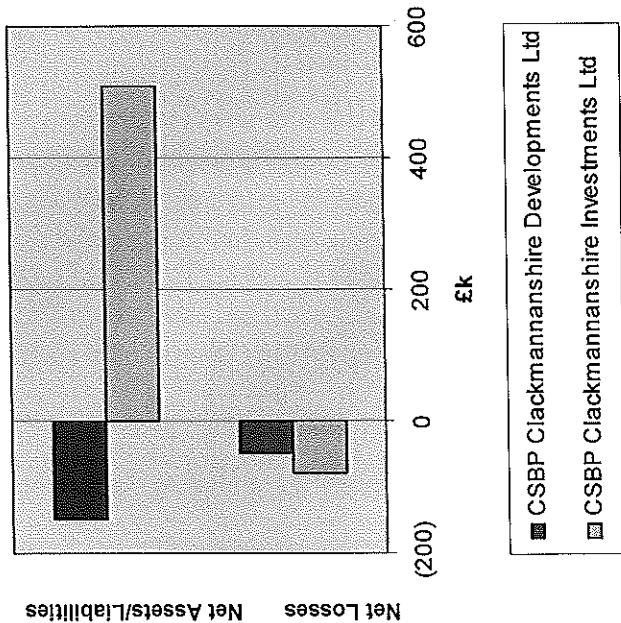
In April 2010, the outturn was predicted to be £0.35m below target and several late changes have resulted in the improved actual result. These changes include:

- £277k less in net housing benefit expenditure
- £189k less for private let repairs where these properties were not handed back in the year
- £163k NDRI distribution that was not budgeted for.

Earmarked reserves

Earmarked reserves have increased by £665k in the year. Earmarked reserves include specific Council allocations on the general fund balance, as well as carry forward balances on specific finance and grant streams. A new earmarked fund of £160k for the establishment of homeless assessment centre was created for funding that could not be utilised in 2009-10.

2.6 Subsidiaries and Joint Ventures



Commentary

In prior years we have noted that the Council's subsidiary and joint ventures have recorded poor financial performance, principally as a result of the downturn in the economy. During 2009-10, Apex Leisure Management Ltd ceased to trade, and the Council reduced it's investment in CSBP Clackmannanshire Investments Ltd.

However, CSBP Clackmannanshire Developments Limited's accounts record net losses of £100k, and cumulative net liabilities of £200k as at 31 March 2010. There is a risk that the Council may be required to inject more capital into this company in order to ensure it remains a going concern in future years. We therefore asked the Council to carry out an impairment review on this investment. This resulted in a potential write down in value of £100k, which has been taken to unadjusted misstatements in Section 4.4. We understand that officers have developed an exit strategy for the joint ventures, which recognises that financial performance must be balanced with the Council's economic development objectives.

Forth Valley GIS Limited

We, again, note that the Council does not consolidate its share of the assets and liabilities of Forth Valley GIS Limited. This company is a joint venture with Falkirk and Stirling Councils. It was established in 2007 and provides geographical information to each partner. The Council contributed £149,000 to the joint venture during 2009-10.

Although the omission of this company from the group accounts is not material, the Council should consider consolidating this company in future years to allow stakeholders to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

2.7 Looking forward

Commentary

The Scottish public sector is facing a period of sustained financial austerity with the financial year 2009-10, likely to represent the peak year for public spending for some time to come. COSLA recommends that local authorities should assume that the starting point for financial planning for 2011-12 to 2013-14 is a 12% real terms reduction in Scottish government grant funding over this period. The public sector will not know the full impact of budget cuts until the Comprehensive Spending Review in October 2010.

Reductions of this size will present a major challenge for the public sector in sustaining current levels of service provision and quality.

Clackmannanshire Council faces significant budget cuts in line with the rest of the public sector. It must also meet the challenge of a changing population. Until recently, Clackmannanshire's 0-15 year old population was expected to decline at a sharper rate than the national average. However, successful strategies to attract new families into the area mean that the number of children below the age of 16 is now expected to increase by 16.7% by 2033 (nationally this is expected to decline by 1.5 per cent). In Clackmannanshire, the population over the age of 65 is also expected to increase by 85.8%. Deprivation and significant health inequalities mean that the priorities within the Corporate Plan and Single Outcome Agreement are as relevant as ever.

Progress to date

The Council took significant steps to prepare for the scale of this challenge in 2009-10. This includes the implementation of the "Growing in Excellence" agenda, to ensure that services focus on outcomes for communities. All services have delivered initial savings plans. A review of the management structure led to the reduction of Chief Officer posts from 11 to 6. Progress has also been made in developing workforce strategies to support a reduction in staff numbers, currently being managed by carrying vacancies.

The Council has also recently approved a framework for the Budget Strategy. This estimates that the Council require a corporate savings target of £18 million by 2013/14. The proposed budget strategy is based on:

- reducing expenditure
- increasing income
- redesigning service provision
- other initiatives such as procurement and integrated partnerships.

The Council has recently launched a community engagement exercise to help inform these decisions. However, the Council retains responsibility for policy decisions. Elected members must therefore put revised arrangements in place to work together to deliver the best outcomes for the area.

3 Financial statements

3.1 Matters identified at the planning stage

In the conduct of our audit, we have not had to alter or change our audit plan, which we agreed with you in March 2010.

Our response to the matters identified at the planning stage is detailed below in section 3.2.

Audit opinion

We expect to give an unqualified opinion on the Council's 2009-10 financial statements and conclude that the financial statements are prepared in accordance with Part VII of the Local Government (Scotland) Act 1973 and the 2009 SORP.

3.2 Matters identified at the planning stage

Issue

1 Financial Position

A key audit concern in recent years has been the lack of a clear financial strategy to demonstrate how the Council will finance its corporate objectives and commitments in the medium term and maintain adequate reserve balances to respond effectively to unforeseen events.

In addition, the Council announced in November 2009 that it had identified a 'funding gap' exceeding £9 million in the 2010-11 budget, partly as a result of errors in accounting for grant income included within Revenue Support Grant (RSG) funding. This places further pressure on Council reserves, and increases the need for greater efficiency in service provision, to remain within budget.

The impact of the credit crunch on the global economy has led to a deterioration in the financial position of the UK government. This will translate into reduced public sector funding across all public services for the foreseeable future.

Auditor response and conclusion

The approval of the Finance Strategy in December 2009 represents a significant achievement and sets out objectives for the Council going forward, recognising the key role that the finance team and operational services play in supporting the delivery of the Council's priorities.

The Council also approved a range of saving measures to deliver a balanced budget for 2010-11. Services were asked to identify potential savings and provided a list totalling £3.8 million. Savings primarily relate to rationalising services and reducing the use of contractors. An additional £2.3 million of corporate savings were offered, including £1 million from vacancy management and £400k from the management restructuring exercise.

The Council's recently approved Budget Strategy recognises the scale of the challenge and sets a corporate savings target of £18 million over three years. Budget cuts of this scale require a comprehensive review of all services and the refocusing of priorities to best meet the needs of Clackmannanshire. The Council has recently launched a community engagement exercise to inform this process.

Auditor response and conclusion	
Issue	
<p>2 The 2009 SORP- changes in the accounting arrangements for PPP schemes Local authorities are required to comply with the <i>Code of practice on local authority accounting in the United Kingdom - A statement of recommended practice</i> (the SORP) when preparing their accounts.</p> <p>The most significant change to the SORP for 2009-10 is in respect of the accounting requirements for private finance initiative and similar contracts which are no longer based on Financial Reporting Standard 5 but on an interpretation of IFRIC 12 'Service concession arrangements' contained in the Government Financial Reporting Manual.</p> <p>The revised SORP also includes new requirements for accounting for national non domestic rates (NNDR) balances.</p>	<p>A joint Council/ Grant Thornton UK LLP workshop was held in March 2010 to discuss the impact of the SORP 2009 changes on the Council's financial statements.</p> <p>Under IFRIC 12, it is control of the asset that determines the accounting treatment. In this case, because the Council retains control of what services will be provided and at what price, and retains residual interest in the schools at the end of the service arrangement, we agreed that the three PPP schools should be held on balance sheet. A prior year adjustment has been processed in respect of Alloa and Alva Academies which were operational before 1 April 2009. Lornishill Academy was not occupied until April 2009 and is therefore treated as an addition in the current year.</p>
<p>2 International Financial Reporting Standards (IFRS) Local government bodies will be required to prepare their accounts on the basis of IFRS from 2010-11. A transition period is currently underway whereby the Council is preparing a shadow balance sheet under IFRS as at 31 March 2009. In addition, the 2009-10 accounts will be restated under IFRS.</p> <p>The Council has engaged the services of Pricewaterhouse Coopers-CIPFA to assist in the IFRS restatement exercise. An initial assessment of the key areas for the Council to consider has already been prepared and an action plan for future actions has been developed.</p> <p>The transition to IFRS is complex process, and requires detailed project planning to ensure the Council is able to fully implement the standard in line with the planned timetable. It should also be noted that the process requires Council wide co-operation, which will be critical for the success of the project.</p>	<p>We held a planning meeting with the Finance team to discuss the Council's progress in implementing IFRS and the results from the initial assessment.</p> <p>In addition, key IFRS areas were covered in the joint workshop held in March 2010 to address areas of risk early in the year. Key areas for the Council in converting to IFRS are:</p> <ul style="list-style-type: none"> • leases which may be classified as finance leases • holiday pay and flexi-time accruals. <p>As noted above, the first stage has already been adopted, by bringing the PPP schools project on balance sheet in line with IFRIC 12.</p> <p>During the audit we noted concern about the level of preparedness of the Council. The Council has not yet produced a shadow balance sheet as at 31 March 2009. We have therefore raised this as a key area of ongoing risk with the Finance team.</p>

Auditor response and conclusion	
Issue	
<p>3 Specific accounting issues The following specific accounting issues were identified at the conclusion of the 2008-09 audit:</p> <ul style="list-style-type: none"> • the new police and fire pension schemes are not covered by the Local Government Pension Reserve Fund (Scotland) Regulation 2003. As a result, Councils were unable to reverse out the pension costs applicable under FRS 17, Retirement Benefits, and replace them with the actual pension contributions paid out of the general fund. The Scottish Government were looking to pass legislation to remedy this situation, although it is not clear if this will be resolved for the 2009-10 financial year, • the Council's two joint ventures made losses in the financial year to 31 March 2009, and we recommended that the Council review the business plans of joint venture companies to ensure that they remain commercially viable. 	<p>The Scottish Government has issued The Local Government Pension Reserve Fund (Scotland) Amendment Regulations 2010 to resolve the technical difficulty experienced last year.</p> <p>The Council is winding up one of the joint ventures, CSBP Investments Ltd, and has an exit strategy in place for the remaining venture, CSBP Developments Ltd. We note within section 2.6 that we asked the Council to carry out an impairment review on this investment during the audit. The resulting write down of £100k is included within unadjusted misstatements in Section 4.4.</p>

Auditor response and conclusion	
Issue	Auditor response and conclusion
<p>4 Single Status Appeals</p> <p>The Council implemented single status on 29th March 2010. Since then, a number of staff have exercised their rights to appeal the determination of their allocated grade under single status arrangements. If an appeal is successful then any pay differential is normally backdated to 1 April 2006, and the Council is also required to honour the new salary scale increase for the particular individual or staff group.</p> <p>In addition, early in 2009-10 a new claim was received in relation to equal pay from a group of staff. As a result, the provision disclosed within the annual accounts to 31 March 2009 to cover the potential estimated cost of these claims totaled £1.238 million.</p> <p>There is a risk that the costs of the single status appeals will be significant and increase the pressure on the budgetary position.</p>	<p>The Council has set aside sums within the General Fund to cover the implementation costs associated with Single Status. During 2009-10, the earmarked reserve was increased by £514k to £1.769m, in line with the Council's Funding Plans. The Single Status base budget will be further increased by £410k from 2010-11.</p> <p>The Council has increased the provision for equal pay claims within the accounts. This provision now totals £2.528 million, including further claims from new groups of staff which are estimated to cost £1.245m. These additional claims will be funded from borrowing in 2010/11, following the granting of consent by Scottish Government.</p>
<p>5 Whole of Government Accounts (WGA)</p> <p>In 2008/09 local authorities were required to submit the un-audited WGA claim to the Scottish Government by 30 September 2009. These were to be audited by 31 October 2009.</p> <p>It is understood that the deadline for 2009/10 is to be brought forward a month. The un-audited GA return will therefore require to be audited by 30 September 2010. It will be essential that the Council has arrangements in place to meet these revised deadlines.</p>	<p>During the audit we verified that the Council had arrangements in place to complete the WGA return, and that the unaudited claim was submitted to the Scottish Government in line with timescales.</p>

3.3 Matters identified during the course of the 2009-10 audit

Auditor response and conclusion	
Issue	Auditor response and conclusion
<p>1</p> <p>Common good The Council administers three Common Good funds active within its boundaries (Alloa, Alva and Tillicoultry). The Common Good Funds do not form part of the Council's finances although the Council is responsible for the financial management of the Funds.</p> <p>During May 2009, the Council's legal section performed a review of assets to identify any that should have been classified as Common Good. As part of this review, the Speirs Centre was identified as Common Good. Upon audit enquiry, Alloa Town Hall was also identified as being Common Good.</p> <p>The assets should therefore be shown within the Common Good fund and excluded from the Council balance sheet.</p>	<p>The Council's own review of potential common good resulted in a further transfer of West End Park to the Common Good. These assets have now been included within the Common Good balance sheet.</p>
<p>2</p> <p>Impairment review A review for impairment of all fixed assets should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.</p> <p>At 31 March 2010, no review for indicators of impairment had been carried out because the 1 April 2009 valuation had been carried out in March 2010. However, assumptions had been made in March 2010 about the state of the buildings as at 1 April 2009 and therefore this did not preclude the requirement to review for indicators of impairment at year-end.</p>	<p>We requested that an internal valuation expert carry out a formal impairment review in relation to old Alva Academy which was valued at £5.9m at 1 April 2009 on the assumption that this was an operational school; at year-end the asset has become non-operational and this is therefore an indicator of impairment. This resulted in an increased impairment loss of £425k.</p>

Auditor response and conclusion	
<p>3</p> <p>Component accounting Where a fixed asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately and depreciated over its individual useful life.</p> <p>In 2009-10, the Council has capitalised £2.9m in relation to kitchen, bathroom and central heating improvements and has accounted for them as components separate from the Council dwellings and to be depreciated over an estimated useful life of 15 years.</p>	<p>The Council has moved to component accounting for its kitchen and bathrooms within council housing stock. This has added to the complexity of records required to monitor fixed asset transactions. This method of accounting will also require an annual review of impairment indicators.</p>

4 Audit adjustments

4.1 Misstatements

All adjusted and unadjusted misstatements identified by Grant Thornton UK LLP in the course of the audit are set out below.

4.2 Adjusted misstatements

	I&E/ SMGFB		Balance sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
PPP schools - design costs				
Adjustment to capitalise the initial design and preconstruction costs for the three PPP schools and subsequent increase in the impairment charge for the schools.	-	-	613	-
	-	(321)	-	(1,452)
	-	(167)	-	-
	1,327	-	-	-
	488	-	-	-
	-	-	488	-
	-	-	1327	-
	-	(1327)	-	-
Alloa Academy overstatement				
Adjustment to reverse the overstatement of Alloa Academy relating to the land including the subsequent impact on depreciation.	-	-	-	815
	-	-	25	-
	426	-	-	-
	-	-	401	-
	(25)	-	-	-
	-	-	-	(1,240)
	-	(401)	-	-

	I&E/ SMGFB		Balance sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
Alva Academy depreciation Adjustment to record depreciation on Alva Academy which was treated incorrectly in the asset register as being added this year rather than in the prior year.	402	-	-	-
	-	-	402	-
	-	(402)	-	-
	-	-	-	(402)
Common Good Adjustment to transfer assets identified as belonging to the Common Good from the Council's asset register to the separate Common Good account. The assets are the Alloa Town Hall, Speirs Centre and West End Park.	-	-	1,205	-
	-	-	2,186	-
	-	-	-	(3,391)
ERDF grant clawback Adjustment to impair the ERDF clawback capitalised against the Kilncraigs building as this cost does not add value to the building.	505	-	-	-
	-	-	505	-
	-	-	-	(505)
	-	(505)	-	-
Insurance proceeds Adjustment to gain on sale of assets to remove insurance proceeds which do not meet the definition of disposal proceeds.	167	-	-	-
	-	(167)	-	-
	-	-	167	-
	-	-	-	(167)
Depreciation on revaluation Adjustment to remove the depreciation on revalued amount from the revaluation reserve against the capital adjustment account.	-	-	799	-
	-	-	-	(799)
DSS grant Adjustment suggested adjustment to correct for the actual amount of DSS grant income received.	-	-	202	-
	-	(202)	-	-
Equal Pay Recognition of full liability as at 31st March 2010.	1,245	-	-	-
	-	(1,245)	-	-

4.3 Disclosure amendments

In addition to the adjustments noted above, we also suggested enhancements to disclosures in the financial statements, including:

- The classification of £8.9m of surplus assets held for sale was changed in the notes to the accounts.
- Additional disclosures were made regarding members allowances and expenses, in line with the SORP
- A "Major Changes in Accounting Policy" note was included to explain the part move to IFRS accounting..

The Council has adjusted the accounts to incorporate these points in the final draft.

4.4 Unadjusted misstatements

	I&E/ SMGFB		Balance sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
Fixed asset classification Adjustment suggested to reclassify Clackmannan Town Hall and Devonvale Hall from operational to investment properties.	-	-	58	-
Depreciation on assets held for sale Adjustment proposed to depreciate assets classified as held for sale, other than land, and the consequential impact on the gain on sale as some of these assets have been disposed of in the year.	63	-	-	(58)
Impairment of Joint Venture Proposed impairment of CSBP Development Limited.	-	(12)	12	(12)
	-	(51)	-	-
	100	-	-	-
	-	-	-	(100)

The impact of unadjusted misstatements on the income and expenditure account, were they to be processed, would result in a increase in the reported deficit of £129k. There would be no impact on the general fund balance as the transaction would be reversed out through the Statement on the Movement of the General Fund Balance.

5 Design effectiveness of internal controls

5.1 Accounting system and internal control

We have applied our risk methodology to your audit. This approach allows us to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. See 'The small print' for further details of our approach.

We have set out any control weaknesses that became apparent to us during our audit fieldwork. Our interim report issued in May 2010 included control findings from that audit and also a follow up on all prior year recommendations.

Key to assessment of internal control deficiencies

- Material weakness - risk of material misstatement
- ⦿ Significant deficiency - risk of significant misstatement
- ⦿ Deficiency - risk of inconsequential misstatement

Assessment	Issue and risk	Recommendation
1 ●	<p>As in prior years, we have noted deficiencies with the current fixed asset register. The Council's reconciliation exercise between the fixed asset register and registers held by Property Services highlighted a number of variations.</p> <p>The move to IFRS based accounting means that there are additional requirements to hold detailed listings, both for assets and for the revaluation reserve. The current excel spreadsheet is therefore not fit for purpose.</p>	<p>The Council should consider implementing a new fixed asset register system to improve financial and management reporting arrangements for fixed assets.</p>

Assessment	Issue and risk	Recommendation
2	<p>● The Council was required to rely on an in-house valuation for the PPP school assets, incorporating 17% of the value of the property portfolio.</p>	<p>In future, the Council should ensure that an external valuation expert is used for material valuations such as PPP schools. Formal documentation should be supplied for all valuations including a scope and basis for valuation, and the Council should receive a formal response stating the valuation and all assumptions used.</p>
3	<p>⦿ We identified 2 cases within a sample of 25 of temporary changes to payroll data where overpayments were made. Both of these were in excess of £300. We understand that this occurred as a result of manual input errors resulting in duplicate payments being made. The Council is seeking recovery of the overpayments.</p> <p>⦿ The exception report currently produced following each payroll on temporary changes is not currently checked due to the volume of entries.</p>	<p>The Payroll Manager should ensure that tailored exception reports are produced which allow duplicate payments to be highlighted promptly.</p> <p>The Council should adopt a supervisory control to review a sample of manual input errors over the course of the year.</p>

6 The small print

Purpose of Memorandum

The purpose of this memorandum is to highlight the key issues affecting the results of the Council and the preparation of the Council's financial statements for the year ending 31 March 2010.

This document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Council.

This memorandum has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Council under the Code of Audit Practice.

Purpose of ISA 260

The principal objectives of the ISA 260 report are:

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.
- To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.
- To provide to those charged with governance constructive observations arising from the audit process.

Independence

We are able to confirm our independence and objectivity as auditors and draw attention to the following:

- We are independently appointed by Audit Scotland.
- The firm has been assessed by Audit Scotland as complying with its required quality standards.
- The appointed auditor and client service manager are subject to rotation in line with the Audit Scotland's requirements.
- We comply with the Auditing Practices Board's Ethical Standards.
- We are satisfied that the provision of non audit services has not impaired our independence.

Audit Approach

Our approach to the audit was set out in our 2009-10 audit plan. We have planned our audit in accordance with auditing standards and Audit Scotland's Code of Audit Practice. Other key factors to highlight include:

- We consider the materiality of items in the financial statements in determining the audit approach and in determining the impact of any errors.
- We have been able to place appropriate reliance on the key accounting systems operating at the Council for financial statement audit purposes.

Responsibilities of the Council and auditors

In accordance with the Code of Audit Practice (the Code) we are required to audit the financial statements of the Council for the year ended 31 March 2010. In auditing the financial statements, we give an opinion on whether

- they give a true and fair view of the Council's financial position as at 31 March 2010 in accordance with Part VII of the Local Government (Scotland) Act 1973 (the Act) and the CIPFA 2009 Statement of Recommended Practice (2009 SORP);
- the Statement on Internal Financial Control is consistent with the information we obtain through our audit.

The Council is responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the Council confirms that our understanding of all the matters in this memorandum is appropriate, having regard to their knowledge of the particular circumstances.

Clarification of roles and responsibilities with respect to internal controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Council that it has done so.

The Council is required to review the Council's internal financial controls. In addition, Council is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.

The Council should receive reports from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or ourselves.

We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you.

In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

In accordance with best practice, we analyse our fees below:

	£ incl VAT
Grant Thornton UK LLP	163,000
Audit Scotland fixed charge	63,700
Total	226,700

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected



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This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

CLACKMANNANSHIRE COUNCIL **Appendix 2**

STATEMENT OF ACCOUNTS 2009/10

<u>Contents</u>	<u>Page</u>
Explanatory Foreword by Finance Manager	2
Statement of Responsibilities for the Accounts	5
Statement on the System of Internal Financial Control	6
Statement of Accounting Policies	7
Core Financial Statements:	
Income and Expenditure Account	14
Statement of the Movement on the General Fund Balance	15
Statement of Total Recognised Gains and Losses (STRGL)	17
Balance Sheet	18
Cash Flow Statement	19
Notes to the Core Financial Statements	20
Supplementary Financial Statements:	
Housing Revenue Account Income and Expenditure Account	44
Statement of Movement on the Housing Revenue Account Balance	45
Notes to the Housing Revenue Account Statement	47
Council Tax Income Account	48
Notes to the Council Tax Income Account	49
Non-Domestic Rates Income Account	50
Notes to the Non-Domestic Rates Income Account	51
Common Good	52
Group Accounts:	
Group Income and Expenditure Account	53
Reconciliation of Single Entity Income and Expenditure Account Deficit to the Group Income and Expenditure Deficit.	54
Group Statement of Total Recognised Gains and Losses	55
Group Balance Sheet	56
Group Cash Flow Statement	57
Notes to the Group Accounts	58

CLACKMANNANSHIRE COUNCIL
EXPLANATORY FOREWORD 2009/10
BY THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

Introduction

The financial statements represent the financial position of Clackmannanshire Council as at 31st March 2010. These have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (SORP).

The purpose of the Statement of Accounts is to demonstrate the Council's stewardship of the public funds with which it is entrusted. This explanatory foreword is intended to give the reader an easily understandable guide to the most significant matters reported in the financial statements.

Financial Statements

The accounting statements that follow consist of:

- A Statement of Responsibilities for the Accounts which sets out the respective responsibilities of the Council and the Finance Manager for the accounts.
- A Statement on the System of Internal Financial Control which sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit.
- A Statement of Accounting Policies that explains the basis of the figures in the accounts and outlines the accounting policies adopted.
- The 'core' financial statements, together with supporting notes:

Income and Expenditure Account - gives the expenditure for all Council services and the source of funding for them and resulting deficit for the year.

Statement of Movement on General Fund Balance - the accounting basis for preparing the income and Expenditure Account is not in line with statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. This statement provides the basis for making the necessary adjustments.

Statement of Total Recognised Gains and Losses - Not all gains and losses experienced by an authority are reflected in the Income and Expenditure Account e.g. revaluation of assets, pension actuarial gains and losses. This statement brings together all the gains and losses for the year and shows the aggregate net worth of the authority.

Balance Sheet - is a consolidation of the Council's financial position. It shows the balances and reserves available, long term indebtedness and the fixed and current assets of the Council.

Cash Flow Statement - shows the inflows and outflows of cash as a result of all the Council's transactions, both capital and revenue, in all its funds.

- Supplementary Statements covering the operation of the Housing Revenue Account and the Council Tax and Non-Domestic Rate Income Accounts. A Statement of Common Good is also included which records the financial position of those funds administered by the Council.
- Group Accounts Statements which combine the revenue and balance sheet figures for the Council as a whole with those of separate companies and bodies in which the Council has a controlling interest.

Income and Expenditure Account

A deficit of £42.389m is recorded for the year in this Statement. This is because the Income and Expenditure Account is presented in line with Generally Accepted Accounting Practice, in that it reflects the true financial position of the Council before allowing for adjustments provided by statute when determining sums due from council tax. The deficit is particularly large this year due to the inclusion of impairments to fixed asset values totalling £37.3m as a result of a general fall in prices.

The accompanying Statement of Movement on the General Fund Balance and associated note records the statutory adjustments totalling £44.824 which converts the deficit on the Income and Expenditure Account to a general fund surplus for the year of £2.435m. The most significant items are the removal of depreciation and impairment charges on fixed assets and replacement with charges for financing capital expenditure.

Budgetary Performance - General Fund

Overall the Council achieved a surplus of £2.435m for the year, against a budgeted surplus of £2.969m. The shortfall in surplus compared to budget reflects expenditure incurred of £1.54m funded from earmarked reserves on Schools PPP, Modernising Government and Single Status implementation. Excluding these items, in-year core performance recorded an underspend of £1.01m.

General Fund Account - Revenue Balance

The General Fund balance at the end of the year totalled £7.966m. Within this year-end General Fund balance, £4.992m is earmarked for specific purposes in respect of the following:

	£000
Devolved Management within Schools	235
Secondary Schools PPP	1,656
Service Improvement Contracts	815
Implementation of Single Status	1,769
Modernising Government	164
Zero Waste Fund	134
Adult Care carry forward scheme	59
Homeless Assessment Centre	160
Total	4,992

This leaves £2.974m generally available for new expenditure, a figure which now exceeds the Council minimum recommended sum of £2.4m contained within the approved Finance Strategy 2010-2013.

Revenue Budget Performance - Housing Revenue Account

There is a statutory requirement placed upon the Council to maintain a separate Housing Revenue Account, as distinct from the General Fund Revenue Account. The Housing financial statement deal mainly with the transactions involved in managing the Council's housing stock. Housing ended the year with a surplus of £771k, which was an improvement of £511k on the budgeted surplus of £260k. Savings in staff costs of £419k together with a reduction on the contribution to bad debts of £249k were the main contributing factors to this favourable position.

In accordance with the Housing Business plan to achieve the Scottish Housing Quality Standard and enhanced Clackmannanshire Standard, sums are required to be contributed from reserves to support the required capital investment programme. In 2009/10, a revenue contribution to capital of £2.561m has been made.

The Housing Revenue Account reserve at the start of the year was £6.052m. After taking account of the surplus generated in the year less the capital contribution, the balance as at 31st March 2010 is £4.262m.

Capital Expenditure

A total of £37.9m was spent on the capital programme during the year. Capital receipts and grants totalled £7.1m and a capital contribution from revenue was made of £2.5m. The resultant net sum required to be financed from borrowing was £28.3m.

The capital expenditure in the year includes £16.3m relating to up-front payments in respect of the three new secondary schools funded under the Private Finance arrangements.

Pensions Accounting

Financial Reporting Standard 17(FRS 17) 'Retirement benefits' is fully adopted in the accounts. Although there is no impact on the council tax or rent payer, the net pension liability records an increase to £105.0m from £46.3m last year. This is due to the impact of unfavourable financial assumptions coupled with stronger post retirement mortality assumptions, which have outweighed the more favourable asset assumptions. Details are explained in Note 4 to the Core Financial Statements.

Significant Trading Operations

The Councils trading operations are disclosed in Note 3 to the Core Financial Statements. The net surplus achieved on these trading units in the year was £878k, and both operations comfortably met the statutory requirement to break-even over a three-year period.

Secondary Schools PPP

The Council concluded the project agreement in March 2007 with the preferred bidder, Clackmannanshire Schools Education Partnership (CSEP), on the £67m redevelopment of the Secondary School Estate under a Public Private Partnership agreement (PPP). Alloa Academy was handed over to the Council in January 2009 and Alva Academy in March. The remaining school, Lornshill Academy was handed over in May 2009. In line with revised accounting arrangements introduced in 2009/10, these Schools are now recorded within the fixed assets of the Council, along with a liability for the financing provided by the PPP operator.

The unitary charge paid to the operator in 2009/10 was £6.021m and will increase annually by inflation over the 30 year term of the contract. The Scottish Government provides additional funding towards the project of £3.43m per annum.

Stirling-Alloa-Kincardine Rail Link

The Stirling-Alloa-Kincardine rail link re-opening is a major infrastructure project which was funded by the Scottish Government with contributions from the Strategic Rail Authority, Scottish Enterprise Forth Valley, Fife Council and Clackmannanshire Council. The project is complete, and rail services commenced operation in May 2008.

The Council is responsible for processing all contract and associated payments in relation to this project. During 2009/10, residual costs of £1.8m recoverable from funding partners relating to this project is included as both expenditure and income within the Highways, roads and transport services line of the Income and Expenditure Account.

Economic Climate

The current economic climate will result in significant reductions in public sector spending at national level which are likely to be reflected in cuts in Council funding of up to 12% in real terms over the next three years. This will mean that, more than ever, the Council will need to be efficient in balancing the growing demands on its resources to ensure that its key priorities are being appropriately targeted. The Council are developing a budget strategy to address the outcome of the next spending review.

Acknowledgements

Finally, I would like to thank staff within the Finance Service and colleagues in other departments, all of whose efforts have contributed to the completion of these accounts.

Nikki Bridle
Director of Finance and Corporate Services
23rd September 2010

CLACKMANNANSHIRE COUNCIL

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and Corporate Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Director of Finance and Corporate Services' responsibilities

The Director of Finance and Corporate Services is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Finance and Corporate Services has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice.

The Director of Finance and Corporate Services has also:

- kept proper accounting records which are up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement by the Director of Finance and Corporate Services

The Statement of Accounts presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2010.

Nikki Bridle
Director of Finance and Corporate Services
23rd September 2010

CLACKMANNANSHIRE COUNCIL

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for Clackmannanshire Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources at the Council's disposal.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period. Consequently, the Council continually seeks to improve the effectiveness of its systems of internal control.

The Council's system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Maintenance and development of the system is undertaken by management within the Council. In particular, the system includes:

- detailed budgeting systems;
- targets against which financial and operational performance can be assessed;
- preparation of regular financial reports that compare expenditure with plans and forecasts;
- clearly defined capital expenditure guidelines; and
- where appropriate, formal project management disciplines.

The Internal Audit function is provided by the Internal Audit section as part of Finance Services. The section reports directly to myself, although also has free access to the Chief Executive, Monitoring Officer and Elected Members of the Council as and when required. The work of the Internal Audit section is reported directly to the Scrutiny Committee. These reports include an Annual Plan (which is informed by an assessment of risk that the Council is exposed to), an Annual Report measuring performance against the Plan for the year, as well as audit findings throughout the year. The progress that Services make against the recommendations accepted in the individual audit reports are now also monitored by the Scrutiny Committee. The Internal Audit section operates in accordance with Cipfa's Code of Practice for Internal Audit in Local Government. This is enshrined within the Council's Financial Regulations.

My review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within the Council who have responsibility for the maintenance and development of the financial control framework;
- the work of the internal auditors as described above;
- the ongoing monitoring of the recommendations from the Internal Audit section by the Scrutiny Committee; and
- the external auditors in their annual audit letter and other reports.

Having reviewed the above, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system.

This statement also covers the Council's interests in six organisations incorporated in the Group Accounts. They are listed at the end of Note 19 of the accounts.

The Valuation Joint Board (VJB) is administered by Clackmannanshire Council, and so the comments above on systems of internal control also apply to that organisation, of which I am Treasurer. During the year the Internal Audit section produced another audit report on the VJB.

The other two Joint Boards (Police and Fire), are administered by Stirling and Falkirk Councils respectively, and will be subject to those Councils' systems of internal financial control. However, through councillor representation on both Boards, as well as work undertaken by both Councils' Finance Officers, I am satisfied that there is an adequate monitoring system in place on which I can rely.

The Council is represented on the Boards of both CSBP Joint Venture Companies, as well as Apex Leisure (Management) Ltd. I am also satisfied that there is adequate representation of the Council's interests in the monitoring and control of these organisations, in line with the level of interest and materiality of the figures involved.

CLACKMANNANSHIRE COUNCIL

STATEMENT OF ACCOUNTING POLICIES

The following policies apply to the Accounts of Clackmannanshire Council for the year 2009/10

1. General Principles

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are also compliant with the *Best Value Accounting Code of Practice (BVACOP)* as approved by the LASAAC. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Major Changes in Accounting Practice

Under the 2009 SORP the accounting requirements for PFI and similar contracts has changed. Previous editions of the SORP required these to be accounted for in accordance with FRS 5 - Substance of Transactions. The 2009 SORP requires these contracts to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 - Service Concession Arrangements. IFRIC 12 is the interpretation of IFRS that applies to operators of PFI and similar contracts. More detail on the accounting policy which has been applied to the Council's PFI contract can be found in note 19 below.

3. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between when the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

4. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes

more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

5. Reserves

Reserves are created by appropriating amounts in the General Fund. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

The Council has established an Insurance Fund as a provision against future claims. Council services contribute to the fund, which meets the cost of fire damage; public liability; employee liability; vehicle fleet and various other claims. The Council holds insurance cover to meet any large claims, the premium for which is charged to the fund.

6. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure.

7. Retirement Benefits

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two separate pension schemes:

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

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

The Teachers Pension Scheme

The scheme provides teachers with defined 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 not able to identify each individual body's share of underlying liabilities on a consistent and reasonable basis and as such this is accounted for as if it were a defined contribution scheme – no liability for future payments of benefits is recognised in the balance sheet and the Education service revenue account is charged with contributions payable in the year by the Council.

The Local Government Pension Scheme

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

- The liabilities of the Falkirk pension scheme 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 based on the gross redemption yield on the iboxx Sterling Corporates Index, AA over 15 years.
- The assets of the Falkirk pension fund attributable to the Council are included in the Balance sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employee 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 Net Cost of Services in the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on the average of the expected long-term return – credited to the Net Operating Expenditure in the Income and Expenditure Account
 - gains/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 to the Net Cost of Services in the Income and Expenditure Account 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 to the Statement of Total Recognised Gains and Losses
 - contributions paid to the Falkirk pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standard. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund 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 retirements. 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.

8. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

9. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2008* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation. (However, an allocation of Democratic costs is made to the Housing Revenue Account to reflect the proportion attributable to council housing issues).
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two costs categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

10. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits (5 to 10 years).

11. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Council dwellings are included at existing use value for social housing.
- Other Land and Buildings are included at the lower of replacement cost or net realisable value.
- Vehicles, Plant, Furniture and Equipment are valued at historic cost and are depreciated over their useful economic life.
- Infrastructure Assets are valued at their historic cost net of depreciation where this can be determined.
- Investment properties and assets surplus to requirements at the lower of net current replacement cost or net realisable value.
- Assets under construction are included at actual cost.

Assets included in the Balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. All assets were revalued as at 1st April 2009. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account. Capital receipts are required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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 Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Council Dwellings and other buildings - straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, Plant, Furniture and Equipment - straight-line allocation of each class of asset in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure Assets - straight-line allocation over 60 years

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

12. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

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

13. Revenue Expenditure Funded from Capital under Statute

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

14. Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as lease becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the lease becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Lease payments are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that they are charged when they become payable.

15. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the purchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of purchase/settlement. However, where repurchase has taken place as part of 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 Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

16. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised

cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

17. Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

18. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

19. Private Finance initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets 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 scheme and as ownership of the fixed assets will pass to the Council at the end of the contract for no additional charge, the Council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the Secondary Schools scheme, the liability was written down by an initial capital contribution of £16.35m.

Fixed 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 operator each year are analysed into five elements:

- fair value of the services received during the year - debited to the relevant service in the Income and Expenditure Account
- finance cost - an interest charge of 4.36% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- payments towards liability - applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs - recognised as fixed assets on the Balance Sheet

CLACKMANNANSHIRE COUNCIL

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2010

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2008/09	Notes	2009/10	2009/10	2009/10
<u>Net</u>		<u>Gross</u>	<u>Gross</u>	<u>Net</u>
<u>Expend</u>	<u>Services</u>	<u>Expenditure</u>	<u>Income</u>	<u>Expenditure</u>
£000		£000	£000	£000
914	Central services to the public	1,700	106	1,594
7,223	Cultural and related leisure services	14,879	2,072	12,807
6,128	Environmental services	7,917	77	7,840
1,116	Planning & development services	3,793	567	3,226
55,361	Education services	61,617	2,350	59,267
3,679	Highways, roads and transport services	6,364	1,649	4,715
3,415	Local authority housing (HRA)	23,875	13,353	10,522
3,232	Other housing services	22,741	19,798	2,943
25,249	Social work	37,111	8,994	28,117
2,290	Corporate and democratic core	2,520	0	2,520
521	Non distributed costs	3,181	0	3,181
109,128	Net Cost of Council Provided Services	185,698	48,966	136,732
	Requisitions from Joint Boards:			
4,261	- Police	4,380	0	4,380
2,998	- Fire	3,204	0	3,204
507	- Valuation	418	0	418
7,766		8,002	0	8,002
116,894	Net Cost of Services	193,700	48,966	144,734
(364)	(Gain) / Loss on the disposal of fixed assets			151
(328)	Surpluses on trading undertakings not included in Net Cost of Services			(542)
6,546	Interest payable and similar charges			9,563
(1,262)	Interest and investment income			(176)
1,247	Pension interest cost and expected return on pension assets			3,825
122,733	Net Operating Expenditure			157,555
	Financed By:			
(21,228)	Council Tax			(21,391)
(68,039)	General government grants			(72,610)
(18,807)	Non-domestic rates redistribution			(21,165)
(108,074)				(115,166)
14,659	Deficit for the year			42,389

CLACKMANNANSHIRE COUNCIL

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE For the year ended 31 March 2010

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to funds and reserves.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/09 <u>£000</u>		2009/10 <u>£000</u>
14,659	Deficit for the year on the Income and Expenditure Account	42,389
(15,419)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(44,824)
<u>(760)</u>	Increase in General Fund Balance for the Year	<u>(2,435)</u>
(4,771)	General Fund Balance brought forward	(5,531)
<u>(5,531)</u>	General Fund Balance carried forward	<u>(7,966)</u>

Supplementary Note of reconciling items for the Statement of Movement on the General Fund Balance

2008/09 £000		2009/10 £000	2009/10 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(187)	Amortisation of intangible fixed assets	(192)	
(21,229)	Depreciation and impairment of fixed assets	(43,716)	
184	Government Grants Deferred amortisation	768	
364	Net Gain /(Loss) on the sale of fixed assets	(151)	
313	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt	313	
(317)	Interest charge - EIR adjustment	(33)	
0	Finance Lease Creditor Repayment	168	
0	Consent to borrow for equal pay	(1,245)	
(5,897)	Net charges made for retirement benefits in accordance with FRS 17	(10,212)	
(26,769)			(54,300)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
4,605	Loans fund principal repayments	5,449	
2,078	Capital expenditure charged in-year to the General Fund Balance	2,561	
5,823	Employer's contributions payable to the Falkirk Pension Fund and retirement benefits payable direct to pensioners	6,354	
12,506			14,364
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
148	Transfer to the Insurance Fund	(34)	
0	Transfer from Capital Receipts Reserve	(3,064)	
(1,304)	Housing Revenue Account balance	(1,790)	(4,888)
(15,419)	Net additional amount required to be credited to the General Fund balance for the year		(44,824)

CLACKMANNANSHIRE COUNCIL

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 March 2010

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

<u>2008/09</u> <u>£000</u>		<u>2009/10</u> <u>£000</u>
14,659	Deficit for the year on the Income and Expenditure Account	42,389
0	(Surplus)/deficit arising on revaluation of fixed assets	(27,413)
23,545	Actuarial (gains)/losses on pension fund assets and liabilities	54,898
<hr/>		<hr/>
38,204	Total recognised (gains)/losses for the year	69,874
<hr/>		<hr/>

CLACKMANNANSHIRE COUNCIL
BALANCE SHEET
For the year ended 31 March 2010

31 March 2009	Notes		31 March 2010	31 March 2010
£000			£000	£000
		Fixed Assets		
568	12	Intangible Assets	524	
		Tangible Fixed Assets:		
		Operational Assets:		
141,227	13	council dwellings	130,706	
119,720	13	other land and buildings	149,521	
6,535	13	Vehicles, plant, furniture and equipment	7,150	
25,053	13	infrastructure assets	29,173	
		Non-Operational Assets:		
19,162	13	investment properties	6,239	
24	13	assets under construction	4	
287	13	surplus assets held for sale	8,916	
312,576		Total fixed assets		332,233
968	18	Long-term investments		968
12	20	Long-term debtors		13
313,556		Total long-term assets		333,214
		Current assets		
479	21	Stocks and work in progress	440	
23,373	22	Debtors	19,181	
(10,386)		Less provision for bad debts	(7,158)	
17,751		Investments	12,023	
32,952		Cash and bank	64	
			9,226	
		Total assets		21,753
377,725				354,967
		Current Liabilities		
(40,012)	23	Short-term borrowing	(2,607)	
(15,675)	25	Creditors	(14,969)	
				(17,576)
322,038		Total assets less current liabilities		337,391
		Long-term liabilities		
(115,325)	23	Long-term borrowing		(125,514)
(1,264)	26	Provisions		(3,098)
(10,345)	28	Government grants deferred		(15,635)
(838)	27	Deferred liabilities		(783)
(46,280)		Liability related to defined benefit pension scheme		(105,036)
(39,382)	29	Other long-term liability		(48,595)
108,604		Total assets less liabilities		38,730
		Revaluation Reserve		27,413
0		Capital Adjustment Account		107,161
144,103	34	Financial Instruments Adjustment Account		(4,481)
(4,761)	34	Pensions Reserve		(105,036)
(46,280)	34	Capital Receipts Reserve		735
3,215	34	General Fund Balance		7,966
5,531	34	Housing Revenue Account balance		4,262
6,052	34	Insurance fund		710
744	33 & 34			
108,604		Total net worth		38,730

Nikki Bridle
Director of Finance and Corporate Services
23rd September 2010

CLACKMANNANSHIRE COUNCIL
CASH FLOW STATEMENT
For the year ended 31 March 2010

2008/09 £000	Notes		2009/10 £000	2009/10 £000
14,387	36A	Net cash inflow/(outflow) from operating activities		15,109
		Returns on Investments and Servicing of Finance		
		Cash Outflows		
		Interest Paid- Workings		
(6,176)		Interest charge for the year	(9,596)	
(1,574)		Opening Creditor	(1,665)	
1,665		Closing Creditor	1,798	
(6,085)		Interest paid	(9,463)	
		Cash Inflows		
1,262		Interest received	176	
1,262		Interest Received	176	
(4,823)		Net Cash Outflow from Returns on Investments and Servicing of Finance		(9,287)
		Capital Activities		
		Cash Outflows		
		Purchase of Fixed Assets - Workings		
(58,837)		Fixed Asset additions	(27,795)	
35,518		PFI Assets	(0)	
(209)		Opening Capital Creditors	(696)	
696		Closing Capital Creditors	541	
(22,832)		Purchase of Fixed Assets	(27,950)	
		Purchase of Long Term Investments		
(467)		Investment additions	(0)	
		Cash Inflows		
		Sale of Fixed Asset - Workings		
1,174		Fixed Asset Disposals	1,798	
866		Opening Capital Debtors	453	
(453)		Closing Capital Debtors	(191)	
1,587		Sale of Fixed Assets	2,060	
		Other Capital Cash Receipts		
5		Other receipts	0	
		Capital Grants Received		
3,515		Grants received	6,058	
(18,192)		Net Cash Outflow from Capital Activities		(19,831)
(8,628)		Net Cash Inflow/Outflow before financing		(14,009)
		Management of Liquid Resources		
(7,498)	36D	Net Increase/Decrease in other liquid resources		17,687
		Financing		
		Cash Outflows		
(14)		Repayments of amounts borrowed	(38,985)	
		Cash Inflows		
44,382		New Loans Raised	11,581	
44,368		Net Cash Inflow from Financing		(27,404)
28,242	36D	Increase/(Decrease) in Cash		(23,726)

CLACKMANNANSHIRE COUNCIL

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Prior Period Adjustments

Agency Accounting for NNDR

At 31 March 2009, the council has the following balances in its Balance Sheet relating to National Non Domestic Rates collection:

	£000
Arrears	1,092
Provision for bad debts	(637)
Overpayments	(270)
	185

The prior period adjustment is effected by deleting all of the above balances and replacing them with a debtor for central government of £185k.

Accounting for PFI Transactions

IFRS-based accounting standards have been introduced for PFI transactions and similar contracts in 2009/10, a year ahead of the general switch to International Financial Reporting Standards that will be adopted in 2010/11. This results in assets acquired under PFI arrangements now being recognised on the Council balance sheet with a corresponding finance lease liability, and expenditure being allocated between operating expenses and finance costs. Implementation of this approach requires adjustments to prior year transactions.

The Council's three new secondary schools were completed towards the end of financial year 2008/09 with two of the schools becoming operational prior to 31st March 2009. Operating costs in 2008/09 amounted to £0.648m of which £0.370m related to finance lease interest. Comparative figures in the Income and Expenditure Account have been restated to reflect the finance lease element. There is no effect on the net deficit on the income and Expenditure Account for the year.

Extract from Income and Expenditure Account

Prior Year before Adjustment (not Published) £000	Prior Year Net Expenditure £000		Gross Expenditure 2009/10 £000	Gross Income 2009/10 £000	Net Expenditure 2009/10 £000
55,731	55,361	Education Services	61,617	2,350	59,267
117,264	116,894	Net cost of Services	193,700	48,966	144,734
6,176	6,546	Interest payable and similar charges			9,563

Comparative figures in the Balance Sheet have been restated to reflect the inclusion of two schools as fixed assets valued at £41.513m. An upfront payment of £5.085m made in respect of Alloa Academy which was previously treated as a long term debtor has now been capitalised as a contribution to the acquisition of the school. A finance lease liability for the net sum of these transactions, £36.428m, has been created which has been allocated between current and long-term liabilities. These adjustments have no effect on the Total Assets and Liabilities recorded in the Balance Sheet as at 31st March 2009.

Extract from Balance Sheet

31 March 2009 before Adjustment (not published) £000	31 March 2009 £000		31 March 2010 £000
74,343	119,720	Other land and buildings	149,521
267,199	312,576	Total fixed assets	332,233
5,097	12	Long-term debtors	13
273,264	313,556	Total long-term assets	333,214
337,433	377,725	Total assets	354,967
(14,765)	(15,675)	Creditors	(14,969)
282,656	322,038	Total assets less current liabilities	337,391
0	(39,382)	Other long-term liability	(48,595)

2. Undischarged Obligations Arising From Long-Term Contracts - PFI Scheme

The annual payments payable under the Secondary Schools PPP contract are estimated at £6.908m in 2010/11 and this will increase annually by inflation over the contract period. The Scottish Government provides funding towards the project of £3.4m per annum. The net costs of the Secondary Schools PPP agreement borne by the Income and Expenditure Account in 2009/10 was £6.021m (2008/09 £0.673m). The contract expires in 2039/40.

The future payments to which the Council is committed based on the current funding model are analysed below:

	Repayment of Liability £000	Interest £000	Service Charges £000	Total £000
within one year	967	3,707	2,234	6,908
within two to five years	4,162	14,634	10,075	28,871
within six to ten years	4,795	17,506	16,941	39,242
within eleven to fifteen years	5,946	16,858	20,225	43,029
within sixteen to twenty years	7,228	15,014	25,064	47,306
within twenty-one to twenty-five years	12,334	14,247	25,569	52,150
within twenty-six to thirty years	11,268	6,724	26,705	44,697

3. Trading Operations

The Council has identified the following 2 significant trading operations that require to be disclosed in accordance with the Local Government in Scotland Act 2003.

		<u>£000</u>	<u>£000</u>
Property Contracts carries out work primarily for Housing Services. The work ranges from day to day repairs to Council houses to major capital schemes such as window replacements – the trading objective is to achieve the budgeted surplus (£278,000)	Turnover	6,011	
	Expenditure	(5,330)	
	Surplus		<u>681</u>
	(Surplus 2007/08)	411	
	(Surplus 2008/09)	563	
	(Cumulative surplus over three years	1,655	
Environmental & Engineering contracts carries out maintenance work on existing roads infrastructure together with construction of new projects including car parks and lighting schemes - the trading objective is to achieve the budgeted surplus (£84,000)	Turnover	2,625	
	Expenditure	(2,428)	
	Surplus		<u>197</u>
	(Surplus 2007/08)	92	
	(Surplus 2008/09)	183	
	(Cumulative surplus over three years	472	

Net surplus on trading units: 878

It is a requirement of the 2003 Act that Significant Trading Operations must break even over a three year rolling basis. This statutory requirement to break even was met by both of the Trading Operations.

4. Participation in Pensions Schemes Scottish Teachers Superannuation Scheme

The Teachers Superannuation Scheme is administered by the Scottish Executive Pensions Agency on behalf of teachers employed by Education Authorities. It is a multi-employer scheme and it is not possible to identify each institution's share of the notional assets and liabilities. Therefore, contributions to the scheme are accounted for as if it were a defined contribution scheme. The costs recognised within the results for the year is the contribution payable to the scheme for that year. The scheme is contracted out of the State Earnings-Related Pension scheme.

The total contribution made for the year ended 31 March 2010 was £4.092m (2008/09 £3.808m), of which employer's contributions totalled £2.858m (2008/09 £2.578m) and employee's contributions totalled £1.234m (2008/09 £1.230m). The agreed contribution rates for future years are 14.9% from 2010/11 (2009/10: 14.9%) for employers and 6.4% (2009/10: 6.4%) for employees.

The Council is also required to meet the cost of benefits arising from compensatory added years (including any related increases), as well as costs arising from the early release of benefits in the Teachers Pension Scheme. In 2009/10 these amounted to £0.614m representing 3.2% of pensionable pay (£0.496m, representing 2.6% of pensionable pay in 2008/09).

Local Government Pension Scheme

The Local Government Pension Scheme is a funded scheme administered by Falkirk Council and provides defined benefits for non-teaching employees. This means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets. Although retirement benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

Changes to FRS 17, Retirement Benefits were introduced in 2008/09 to bring it in to line with International Financial Reporting Standards, by changing the fair valuation method for certain scheme assets and revising disclosure requirements.

Transactions Relating to Retirement Benefits

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2008/09 £000	2009/10 £000
Income and Expenditure Account		
<i>Net Cost of Services</i>		
• current service cost	(4,129)	(3,541)
• curtailments and settlements	(67)	(168)
• past service cost	(454)	(2,678)
<i>Net Operating Expenditure</i>		
• interest cost	(10,950)	(10,435)
• expected return on assets in the scheme	9,703	6,610
<i>Net charge to the Income and Expenditure Account</i>	(5,897)	(10,212)
Statement of Movement in the General Fund Balance		
• reversal of net charges made for retirement benefits in accordance with FRS 17	5,897	10,212
Actual amount charged against council tax for Pensions in the year:		
• employers' contributions payable to scheme	(5,823)	(6,354)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £(54,898k) (£23,545k March 2009) were included in the Total Recognised gains and losses. The cumulative amount of actuarial gains and losses included in the Statement of Total Recognised gains and losses is £(59,609k).

Assets and Liabilities in Relation to Retirement Benefits

The Falkirk Council Pension scheme is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In addition the Council has discretionary powers to grant additional benefits under the Local Government and Discretionary Payments regulations of 1998 and 1996 respectively. Typically, benefits under the regulations may be awarded by the Council where an employee leaves in the interests of the efficiency of the service or on the grounds of redundancy. These are unfunded schemes meaning that there are no investment assets built up to meet the pension liabilities.

As at 31st March 2010 in order to comply with FRS 17 the Council has the following overall assets and liabilities relating to the pension scheme now included in the balance sheet.

Reconciliation of defined benefit obligation

	2009/10 £000	2008/09 £000
Opening Defined Benefit Obligation	150,529	158,941
Current Service Costs	3,541	4,129
Interest Costs	10,435	10,950
Contributions by scheme participants	1,825	1,697
Actuarial (gains) and losses	84,202	(19,176)
Benefits paid	(6,789)	(6,533)
Past service costs	2,678	454
Curtailments	168	67
Closing Value of Scheme Liability	246,589	150,529

Reconciliation of fair value of employer assets

	2009/10 £000	2008/09 £000
Opening Fair Value of Employer Assets	104,249	136,280
Expected return on scheme assets	6,610	9,703
Actuarial (gains) and losses	29,304	(42,721)
Contributions by employer	6,354	5,823
Contributions by scheme participants	1,825	1,697
Benefits paid	(6,789)	(6,533)
Closing Fair Value of Employer Assets	141,553	104,249

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields in fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on Equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on the scheme assets in the year was £35,934k (2008/09 (£28,054k))

Scheme History

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March in respect of the Local Government Pension Scheme are as follows:

	31 March 2010 £000s	31 March 2009 £000s
Estimated liabilities in Scheme	(229,772)	(138,199)
Estimated liabilities arising from unfunded discretionary benefits	(16,817)	(12,330)
Estimated assets Scheme	141,553	104,249
Net asset/(liability)	(105,036)	(46,280)

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The liability of £105m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions from employers, as assessed by the scheme actuary.

The total contribution expected to be made to the Local Government pension scheme by the Council in the year to 31st March 2011 is £4.803m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme liabilities have been assessed by Hymans Robertson, an independent firm of Actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2008.

The principal assumptions used by the actuary have been: -

Long Term Expected Rate of Return on Assets in the Scheme	2009/10	2008/09
Equity Investments	7.8%	7.0%
Bonds	5.0%	5.4%
Property	5.8%	4.9%
Cash	4.8%	4.0%

Longevity at 65 for future pensioners	2009/10	2008/09
Men	23.1 Years	22.0 Years
Women	26.6 Years	25.0 Years
Longevity at 65 for Current pensioners		
Men	21.6 Years	20.7 Years
Women	25.0 Years	23.8 Years
Rate of Inflation	3.8%	3.1%
Rate of increase in salaries	5.3%	4.6%
Rate of increase in pensions	3.8%	3.1%
Rate for discounting scheme liabilities	5.5%	6.9%
Take up of option to convert annual pension into retirement lump sum - pre-April 2009 service	50%	50%
Take up of option to convert annual pension into retirement lump sum - post-April 2009 service	75%	-

History of Experienced Gains and Losses

The actuarial losses identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as absolute amounts and as percentage of assets or liabilities at 31 March 2010:

	Year to 31 Mar 2010 £000	Year to 31 Mar 2009 £000	Year to 31Mar 2008 £000	Year to 31Mar 2007 £000	Year to 31Mar 2006 £000
Difference between the expected and actual return on assets	29,304	(42,721)	(13,643)	(1,115)	17,340
Value of Assets	141,553	104,249	136,280	137,447	127,319
Percentage of assets	20.7%	(41.0%)	(10.0%)	(0.8%)	13.6%
Experienced Gains/ (Losses) on liabilities	(658)	3,948	1,132	217	172
Total Present Value of Liabilities	246,589	150,529	158,941	179,431	179,946
Percentage of the Total Present Value of Liabilities	(0.3%)	2.6%	0.7%	0.1%	0.1%
Actuarial Gains/ (Losses) recognised in STRGL	(54,898)	(23,545)	20,149	11,703	(2,629)
Total Present Value of Liabilities	246,589	150,529	158,941	179,431	179,946
Percentage of the Total present Value of Liabilities	(22.3%)	(15.6%)	12.7%	6.5%	(1.5%)

5. 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 £0.139m (2008/09 - £0.135m). This income is included in the Income and Expenditure Account.

6. Operating Leases

Vehicles, Plant, Furniture and Equipment – the authority uses computer equipment, plant, vehicles, wheeled bins and street lighting financed under the terms of an operating lease. The amount paid under these arrangements in 2009/10 was £176,000 (2008/09 £217,000).

The authority was committed at 31st March 2010 to making payments of £93,000 under operating leases in 2010/11, comprising the following elements:

	Vehicles, Plant and Equipment
	<u>£000</u>
Leases expiring in 2010/11	0
Leases expiring between 2011/12 and 2015/16	0
Leases expiring after 2015/16	93

7. Community Care and Health (Scotland) Act 2002 Pooled Funds

A Local Partnership agreement exists between Clackmannanshire Council and NHS Forth Valley (Health Board, Primary Care Trust and Acute Trust) and covers all community care client groups. The shared vision is for better outcomes to be secured for people who require services and their carers, and for improved partnership working between our agencies. Budgets from Clackmannanshire Council and NHS Forth Valley have been aligned to support this as follows:

	Budget 2009/10 £000	Expenditure 2009/10 £000
Integrated Mental Health Management	174	118
Skills Training	287	311
Integrated MH Reserves	0	29
Mental Health Day Unit	<u>525</u>	<u>509</u>
	<u>986</u>	<u>967</u>
Clackmannanshire Council	47%	47%
NHS Forth Valley	53%	53%

8. Members' Allowances

The total amount paid in respect of members' allowances for 2009/10 was £408,000 (2008/09 - £395,000). This amount consisted of £351,000 Basic Allowance (2008/09 £342,000), £48,000 Additional Allowance (2008/09 £47,000) and Expenses of £9,000 (2008/09 £6,000).

9. Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £10,000 were.

Remuneration Band	Number of Employees	
	2008/09	2009/10
£50,000 - £59,999	18	21
£60,000 - £69,999	11	13
£70,000 - £79,999	3	3
£80,000 - £89,999	2	2
£90,000 - £99,999	1	1
	<u>35</u>	<u>40</u>

10. 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

The following related party transactions in 2009/10 are disclosed elsewhere within the Statement of Accounts: -

- a) Receipts from Central Government (Revenue Support Grant, NNDR Contribution from Pool, Government Grants etc) are shown on the Cash Flow Statement
- b) Payments to the Falkirk Council Superannuation Fund and Scottish Government (Teachers' Pensions) are shown in Note 4 to the Core Financial Statements.
- c) Requisitions paid to Joint Boards are shown on the Income and Expenditure Account.
- d) Payments to Elected Members and Chief Officers are shown in Notes 8 and 9 to the Core Financial Statements.

Other significant related party transactions not included elsewhere within the Statement of Accounts are: -

- a) **Apex Leisure (Management) Limited**
The Council made net payments of £258,000 (2008/09 - £369,000). This payment includes a subsidy towards running of Alloa Leisure Bowl of £127,000 (2008/09 - £249,000).
- b) **East of Scotland European Consortium**
The Council is a partner in the above Consortium, and made a membership contribution of £7,500 (2008/09 £7,500). This payment is included within the Corporate and Democratic Core figure in the Income and Expenditure Account.
- c) **The South East of Scotland Regional Transport Partnership (SESTRAN)**
The Council's contribution to this partnership was £40,000 (2008/09 £9,000). The Council received revenue contributions towards transportation projects during 2009/10 as follows:
 - Travel Plan/Round the Forth Grants £3,000 (2008/09 £12,000)
- d) **Forth Valley Geographical Information Services (FVGIS)**
This is a limited company of which Clackmannanshire Council, Stirling Council and Falkirk Council are equal shareholders. The three funding councils pay an annualised amount for core GIS services. The contribution paid by the Council in 2009/10 was £149,000 (2008/09 £149,000).

11. Audit Costs

Clackmannanshire Council incurred the following fees relating to external audit and inspection:

	2008/09 £000	2009/10 £000
• Fixed fee payable to Audit Scotland	63	64
• Fee payable to Audit Scotland for external audit services	160	163
• Audit Scotland rebate	(12)	0

12. Movements in Intangible Assets

Intangible assets relate to the purchase of software licences. The movement of Intangible assets are recorded below.

	2008/09 £000	2009/10 £000
Cost at 1st April	936	1,056
Additions at Cost	<u>120</u>	<u>148</u>
Cost at 31st March	<u>1,056</u>	<u>1,204</u>
Accumulated Depreciation at 1st April	301	488
Depreciation charge for Year	<u>187</u>	<u>192</u>
Accumulated Depreciation at 31st March	<u>488</u>	<u>680</u>
Net Book Value at 1st April	<u>635</u>	<u>568</u>
Net Book Value at 31st March	<u>568</u>	<u>524</u>

13. Movement of Fixed Assets

	OPERATIONAL ASSETS				NON OPERATIONAL ASSETS			Total £000s
	Council dwellings *	Other land & buildings	Vehicles, plant, furniture & equipment	Infra-structure assets	Investment properties	Surplus Assets held for sale	Assets under construction	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Cost or valuation								
At 31st March 2009	168,886	160,802	11,338	27,141	19,162	305	24	387,658
Additions	4,657	26,011	2,167	4,551	-	366	-	37,752
Disposals	(986)	-	-	-	-	(810)	-	(1,796)
Reclassifications		2,610	20	15	(11,560)	8,935	(20)	-
Revaluations	(37,096)	(36,122)	-	-	(1,363)	120	-	(74,461)
At 31st March 2010	135,461	153,301	13,525	31,707	6,239	8,916	4	349,153
Depreciation								
At 31st March 2009	27,659	41,082	4,803	2,088	-	18	-	75,650
Charge for 2009/10	4,800	3,780	1,572	446	-	-	-	10,598
Disposals	(45)	-	-	-	-	-	-	(45)
Write off depreciation on Revaluation	(27,659)	(41,082)	-	-	-	(18)	-	(68,759)
At 31st March 2010	4,755	3,780	6,375	2,534	-	-	-	17,444
Balance Sheet Amount at 31st March 2009	141,227	119,720	6,535	25,053	19,162	287	24	312,008
Balance Sheet Amount at 31st March 2010	130,706	149,521	7,150	29,173	6,239	8,916	4	331,709
Nature of asset holding								
Owned	130,873	87,338	7,150	29,173	6,239	8,916	4	269,526
PFI	-	62,183	-	-	-	-	-	62,183
	130,873	149,521	7,150	29,173	6,239	8,916	4	331,709

* Council dwellings include the total housing stock, shared ownership properties, lockups, and garages.

Movement in carrying amount of PFI assets

	£000
Value at 1st April 2009	45,377
Additions during year	<u>21,705</u>
	67,082
Impairment in value	<u>(4,899)</u>
Value at 31st March 2010	<u>62,183</u>

14. Capital Expenditure and financing

	2008/09 £000	2009/10 £000
Capital Expenditure		
Operational Assets	21,615	37,386
Non-operational Assets	674	366
Intangible Assets	120	148
	22,409	37,900
Source of Finance		
Capital Receipts	1,174	1,016
Government Grants and other contributions	3,516	6,057
Borrowing	15,641	28,266
CFCR	2,078	2,561
	22,409	37,900

15. Valuation of Fixed Assets Carried at Current Value

Fixed Assets are included in the Balance Sheet at their current asset value as at 1st April 2009 as amended by subsequent additions and disposals. Council Dwellings were valued by the Valuation Office Agency (an executive agency of HM Revenue and Customs) as at 1st April 2009 at £131.790m. Other lands and heritages were also valued by Valuation Office Agency as at 1st April 2009 at £105.440m. The valuations were carried out by P.M. Gay, MRICS, from the District Valuer Service and George Adamson, FRICS, of Clackmannanshire Council. The basis for valuation is set out in the statement of accounting policies. The Council is not aware of any circumstances that will materially change these valuations.

16. Commitments Under Capital Contracts

The Council has approved £13.7m in 2010/11 under its capital programme, of which £3.6m has been contracted.

The contracts are as follows: -

	£000
Council Housing:	
- Kitchens & Bathrooms	2,390
- Central Heating	68
- Rewires	89
- Other Housing	73
Roads	297
Social Work	86
Leisure	132
Academy Demolitions	337
Primary & Nursery School Developments	104
	<u>3,576</u>

17. Information on Assets Held

	2008/09	2009/10
Council Dwellings	5,060	4,972
Council Offices	6	6
Nursery Schools	5	5
Primary Schools	19	19
Secondary Schools	3	3
Special Schools	2	2
Sports Centres	8	5
Residential Homes, Care Centre, Day Centres	6	6
Community Centres & Halls	7	4
Libraries	6	6
Cemeteries	8	8
Parks	7	7
Public Conveniences	8	8

18. Long Term Investments

The Council has a range of investments that are fully described in note 19 below. These are summarised as follows: -

	2009 £000	2009 £000	2010 £000	2010 £000
CSBP Clackmannanshire Investments Ltd (at cost)		169		0
CSBP Clackmannanshire Developments Ltd (at cost)		799		968
Apex Leisure (Management) Ltd (at cost)	200		200	
Less: Written off	<u>(200)</u>	-	<u>(200)</u>	-
		<u>968</u>		<u>968</u>

19. Interests in Companies

The Council holds shares in various trading companies, either as controlling or minority shareholder.

The Council is also represented on the Boards of various companies that are limited by guarantee and have no share capital. It participates in these companies by means of Board membership and the provision of funding and management support.

Subsidiary Companies:

Apex Leisure (Management) Limited

This company is owned 99.9% by the Council. The principal activity of the company was the management of Alloa Leisure Bowl. The company ceased operations as at 30th September 2009, when the management of the Alloa Leisure Bowl was taken over by an independent private company.

For the final year of operations ended 30 September 2009 the company's net profits and net assets were zero. Income and Expenditure and Balance Sheet movements have been incorporated in the Group Accounts.

The Council's liability is limited to its shareholding of £200,000.

Joint Ventures:

CSBP Clackmannanshire Investments Limited

This joint venture was formed in November 2003. The principal activity of the company is property development. The Council holds a 50% share in the joint venture company along with SPC Group Limited.

For the year ended 31 March 2010 the company had net losses and net assets of £80,000 and £509,000 respectively. The Council's share of these figures have been incorporated in the Group Accounts.

CSBP Clackmannanshire Developments Limited

This joint venture was formed in November 2003. The principal activity of the company is the development and refurbishment of commercial and industrial property. The Council holds a 50% share in the joint venture company along with Scarborough Development Group.

For the year ended 31 March 2010 the company had net losses and net liabilities of £100,000 and £200,000 respectively. The Council's share of these figures have been incorporated in the Group Accounts.

Associated Companies:

Clackmannanshire Heritage Trust

This is a registered company limited by guarantee with charitable status. The purpose of the company is to enhance the historic buildings of Clackmannanshire, improve its landscaping and encourage sustainable use of its environment. The Council has five out of the thirteen trustees represented on its Board but it is not controlled by the Council.

Joint Boards:

Central Scotland Joint Police Board

This Board is the statutory corporate body established in 1975 to provide a vast range of policing services on behalf of the three local authorities comprising Falkirk, Stirling and Clackmannanshire Councils.

During 2009/10 the Council contributed £4.380m or 15.8% of the Board's estimated running costs. The Board's net liabilities at 31 March 2010 were £457.721m and the Council's share has been incorporated in the Group Accounts.

Central Scotland Joint Fire and Rescue Board

This Board is the statutory body established in 1975 to provide fire and emergency cover on behalf of the three local authorities comprising Falkirk, Stirling and Clackmannanshire Councils.

During 2009/10 the Council contributed £3.204m or 17.8% of the Board's estimated running costs. The Board's net liabilities at 31 March 2009 were £123.190m and the Council's share has been incorporated in the Group Accounts.

Central Scotland Valuation Joint Board

This Board is an independent body formed in 1996 to compile the Valuation Roll, Valuation List and Electoral Register on behalf of the three local authorities comprising Falkirk, Stirling and Clackmannanshire Councils.

During 2009/10 the Council contributed £418k or 15.4% of the Boards estimated running costs. The Boards net liabilities at 31 March 2010 were £6.143m and the Councils share has been incorporated in the Group Accounts

Group Accounts

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

Apex Leisure (Management) Limited
 CSBP Clackmannanshire Investments Limited
 CSBP Clackmannanshire Developments Limited
 Central Scotland Joint Police Board
 Central Scotland Joint Fire and Rescue Board
 Central Scotland Valuation Joint Board

20. Long Term Debtors

	2009 £000	2010 £000
Loans to Employees	11	13
Business Development Loans	53	53
Other Loans - Alloa Bowling Club	1	0
	<u>65</u>	<u>66</u>
Less Provision for bad debts (Business Development)	<u>53</u>	<u>53</u>
	<u>12</u>	<u>13</u>

21. Stocks and Work in Progress

	2009 £000	2010 £00
Stock		
Building Works	153	153
Roads - Salt	20	12
Roads - Lighting	27	36
Roads - Contracts	19	19
Waste Services	20	16
Vehicle Maintenance	44	40
Library Book Shop	22	19
Social Services	76	49
Catering	35	46
Cleaning	8	10
Corporate Gifts	6	3
Leisure Services	1	0
	431	403
Work in Progress		
Building Works	<u>48</u>	<u>37</u>
Total	<u>479</u>	<u>440</u>

22. Debtors and Prepayments (Amounts falling due within one year)

	£000	2009 £000	£000	2010 £000
Debtors				
Government Departments		1,942		1,043
Government and Other Grants		1,992		2,188
Council Tax	9,211		10,035	
Less Provision for bad debts	<u>5,498</u>		<u>5,958</u>	
		3,713		4,077
Housing Rents	1,423		1,555	
Less Provision for bad debts	<u>564</u>		<u>628</u>	
		859		927
Sundry Debtors	4,244		3,978	
Less Provision for bad debts	<u>454</u>		<u>572</u>	
		3,790		3,406
Salaries and Wages		70		48
Capital Payments		<u>453</u>		<u>191</u>
Total Current Debtors		12,819		11,880
Prepayments				
Operational Leases		<u>168</u>		<u>143</u>
Total Debtors and Prepayments		<u>12,987</u>		<u>12,023</u>

23. Borrowing

The Council's debt at 31 March may be analysed as follows:

Source of Loan	Average Rate payable (%)	2009 £000	2010 £000
(a) Repayable within 12 months			
Public Works Loan Board	9.24%	6,001	1
Temporary Loans		32,875	0
Revenue Advances: -			
- Common Good & Trust Funds		504	513
- Central Scotland Valuation Joint Board		324	269
- Forth Valley Criminal Justice Authority		<u>285</u>	<u>1,824</u>
		39,989	2,607
Accrued interest on borrowing		<u>23</u>	<u>0</u>
		<u>40,012</u>	<u>2,607</u>
(b) Repayable after 12 months			
Public Works Loan Board	4.91%	89,703	99,702
Market Loans	4.22%	<u>23,980</u>	<u>24,014</u>
		113,683	123,716
Accrued interest on borrowing		<u>1,642</u>	<u>1,798</u>
		<u>115,325</u>	<u>125,514</u>
(c) Analysis of Long Term Loans by Maturity			
Between 1 - 2 year		1	3
Between 2 - 5 years		2	18,002
Between 5 - 10 years		5	17,206
More than 10 years		<u>115,317</u>	<u>90,303</u>
		<u>115,325</u>	<u>125,514</u>

24. Financial Instruments Disclosures

Types of Financial Instruments

Accounting regulations require the “financial instruments” (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of “financial instruments”.

TABLE 1 – FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current	
	31st March 2010	31st March 2009	31st March 2010	31st March 2009
	£000s	£000s	£000s	£000s
Borrowings				
Financial liabilities at amortised cost	125,480	115,325	1,847	38,898
Financial liabilities at fair value through income and expenditure	0	0	0	0
Other borrowing (Finance lease)	44,731	35,518	1,969	910
Total borrowings	170,211	150,843	3,816	39,808
Investments				
Loans and receivables	0	0	12,527	52,804
Available-for-sale financial assets	0	0	0	0
Fair value through income and expenditure	0	0	0	0
Unquoted equity under available for sale through x method	0	0	0	0
Total investments	0	0	12,527	52,804

NOTES.

1. LOBOs of £13.5m have been included in long term borrowing but have a call date in the next 12 months.

The above long term figures are based on para 4.105 of SORP 2009 which states that in undertaking EIR calculations the maturity period for a LOBO should be taken as being the contractual period to maturity.

Table 2 - Gains and Losses on Financial Instruments

2009-10	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost £000s	Loans & Receivables £000s	Available for sale assets £000s	Fair value through P&L £000s	Total £000s
Interest expense	(6,207)				
Losses on derecognition					
Impairment losses					
Interest payable & similar charges	(6,207)				(6,207)
Interest Income		491			
Gains on derecognition	8				
Interest & investment income	8	491			499
Gains on revaluation					
Losses on revaluation					
Amounts recycled to the I&E account after impairment					
Surplus arising on revaluation of financial assets	(6,199)	491			(5,708)
Net gain/(loss) for the year					
Below the line adjustments of write off of premiums & discounts. Below the line adjustments for impairment credits to I&E a/c per					
Net gain /(loss) for the year	(6,199)	491			(5,708)

Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 063/10.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only those which are materially different from the carrying value are disclosed.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31st March 2010		31st March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
PWLB - maturity	101,140	116,224	97,017	113,695
PWLB - annuity	42	62	43	68
LOBOs	23,807	27,924	24,287	24,983
Bonds				
Market loans	159	190	32,877	32,877
Financial liabilities	125,148	144,400	154,224	171,623

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 below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31st March 2010		31st March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Cash	9,226	9,226	34,144	34,144
Deposits with banks and building societies	47	47	17,647	17,846
Investments in subsidiaries	968	968	1,012	1,012
Loans to small businesses and other orgs.	66	66	5,150	5,150
Financial assets	10,307	10,307	57,953	58,152

The fair value in 2009 was higher than the carrying amount because the Council's portfolio of investments included a number of fixed rate loans where the interest rate receivable was higher than the rates available for similar loans at the Balance Sheet date.

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

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

TABLE 5 – CREDIT RISK (A)

	Amounts at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2010	Estimated maximum exposure to default and uncollectability as at 31 March 2010	Estimated maximum exposure to default and uncollectability as at 31 March 2009
	£000s	%	%	£000s	£000s
Deposits with banks and other financial institutions	47	2.58%	2.58%	1	455
Investments in subsidiaries	968	0	0	0	0
Loans to small businesses etc	66	1.03%	1.03%	53	53
Customers	2,327	n/a	n/a	544	1,476
Total	3,408			598	1,984

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.

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. Clackmannanshire Council did not have any exposure to these banks, but the Council's maximum exposure to credit risk has been adjusted in light of the authorities who have experienced a bank default with these institutions. It should also be noted that all monies within these institutions are currently subject to the respective administration and receivership process, and CIPFA has stated that recoveries are expected to be between 50% and 100%

Debtors

The Council allow credit of 30 days for customers, such that £2.1m of the £2.3m balance is past its due date for payment. The past due amount can be analysed by age as follows:

TABLE 6 – CREDIT RISK (B)

	31 March 2010	31 March 2009
	£000s	£000s
Less than three months	751	153
Three to six months	243	202
Six months to one year	201	323
More than one year	922	2,381
Total	2,117	3,059

During the year a sum of £157k was charged to the Income and Expenditure Account in respect of an increase in the provision against current debts.

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future 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):

TABLE 7 – LIQUIDITY RISK

Loans outstanding	On 31 March 2010	On 31 March 2009
	£000s	£000s
Public Works Loans Board	99,703	95,704
Market debt	23,500	23,500
Temporary borrowing	0	32,875
Local bonds	0	0
Deferred purchase	0	0
Total	123,203	152,079
Less than 1 year	49	38,876
Between 1 and 2 years	54	1
Between 2 and 5 years	18,059	2
Between 5 and 10 years	17,205	5
More than 10 years	87,994	113,195
Total	123,361	152,079

In the more than 10 years category there are £13.5m of LOBOs which have a call date in the next 12 months.

3. Market Risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the STRGL.
- 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 held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority'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.

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

TABLE 8 – INTEREST RATE RISK

	£000s
Increase in interest payable on variable rate borrowings	135
Increase in interest receivable on variable rate investments	(125)
Increase in government grant receivable for financing costs	<u>0</u>
Impact on Income and Expenditure Account	<u>10</u>
Share of overall impact credited to the HRA	
Decrease in fair value of 'available for sale' investment assets	<u>0</u>
Impact on STRGL	<u>0</u>
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	(18,118)

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

Price Risk

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

Foreign Exchange Risk

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

25. Creditors (Amounts falling due within one year)

	2009	2010
	£000	£000
Salaries and Wages	1,879	1,927
Housing Rent Prepayments	135	159
Finance lease	910	1,969
Revenues	32	169
Government Grants	1,452	1,888
Capital Payments	696	541
Sundry Creditors	<u>10,571</u>	<u>8,316</u>
	<u>15,675</u>	<u>14,969</u>

26. Provisions

Early Retirement

In accordance with Financial Reporting Standard 12, where individual posts have been identified and agreed for voluntary redundancy, but not actually paid before 31st March, a provision is made. The costs incurred in 2009/10 reflect the implementation of service and management reconfiguration approved by the Council in January 2010.

Equal Pay

The Council received a number of claims of historic pay from specific groups of staff in 2006. A considerable number of settlements have been made up to and including 2009/10, but the provision in respect of these employees has been increased to a sum of £1.283m reflect those claims still outstanding at employment tribunal or statutory grievance together with an estimate of residual settlement costs. Further claims have been received from new groups of staff which are estimated to cost £1.245m. These claims will be funded from borrowing in 2010/11, following the granting of consent by Scottish Government.

	Early Retirement	Equal Pay	Total
	2010	2010	2010
	£000	£000	£000
Balance as at 1 April 2009	26	1,238	1,264
Paid during the year	(26)	(135)	(161)
Arising during year	<u>570</u>	<u>1,425</u>	<u>1,995</u>
Balance at 31 March	<u>570</u>	<u>2,528</u>	<u>3,098</u>

27. Deferred Liabilities

These sums relate to contributions received from developers to be utilised at future dates for infrastructure etc within both private housing schemes and town centre redevelopment, together with share of inherited loan from the European Investment Bank

	2009	2010
	£000	£000
Developer contributions	636	625
European Investment Bank	<u>202</u>	<u>158</u>
	<u>838</u>	<u>783</u>

28. Government Grants Deferred

This sum relates to government grants and contributions received towards the financing of capital expenditure on fixed assets. The balance represents a deferred credit which is released to revenue to set off the depreciation charged on the assets. Movements on this balance are detailed below

	2009	2010
	£000	£000
Balance as at 1 April	7,014	10,345
Grants released during year	(184)	(768)
Grants received during the year	<u>3,515</u>	<u>6,058</u>
Balance at 31 March	<u>10,345</u>	<u>15,635</u>

29. Other Long-term Liabilities

This sum relates to the finance lease creditor associated with the financing of the three new secondary schools under the PFI scheme. The movement in the balance sheet values are detailed below

	2009	2010
	£000	£000
Balance as at 1 April	0	40,292
Addition during year	40,292	10,440
Finance lease creditor repayment in year	<u>0</u>	<u>(168)</u>
	<u>40,292</u>	<u>50,564</u>
Liabilities due over more than one year	39,382	48,595
Liabilities due within one year (see note 25)	910	1,969

30. Reserves and Balances Held by Schools Under Delegated Schemes

Under the terms of the Scheme of Devolved Management to Schools and Services within Education, a number of establishments achieved savings that are available for carry forward at the year-end. No individual school or services can carry forward more than 2% of its devolved budget and no significant balances are contained within the overall sum. The amounts detailed below are included in the Council's General Fund reserve.

	2009	2010
	£000	£000
Balance as at 1 April	916	488
Allocated to Schools during year	(916)	(488)
Contributions added to fund during the year	<u>488</u>	<u>235</u>
Balance at 31 March	<u>488</u>	<u>235</u>

31. Analysis of Net Assets Employed

	2009	2010
	£000	£000
General Fund	4,894	(31,570)
Housing Revenue Account	108,258	83,614
Trading Operations	<u>(4,548)</u>	<u>(13,314)</u>
Total	<u>108,604</u>	<u>38,730</u>

32. Contingent Liabilities

Equal Pay

The Council has received claims of historic pay inequality from specific groups of staff, particularly in catering, cleaning and homecare, and most recently, supervisory assistants and classroom assistants. Note 26 includes details of the provision in respect of those groups of employees identified so far. It remains a possibility that the Council may become liable for further claims in the future, but at this time there is uncertainty both surrounding the likely timescale involved and the potential level of settlement.

33. Insurance Fund

The insurance fund covers the main classes of insurance; property, public liability, employer's liability and motor. Funds are earmarked for insurance purposes and are not available for general Council use. The purpose of the Insurance Fund is to provide an element of self-insurance and protect the Council against unforeseen losses. The alternative is to incur higher insurance premiums, but to assume less risk by not self insuring such losses.

It is the Council's opinion that the Insurance Fund is not yet at a sufficient level to allow a greater degree of self-insurance. Accordingly insurance has been purchased, providing "bottom up" cover, with a ceiling on the maximum policy excess on the general liability and property policies of £5,000 and £250,000 respectively. The total cost of insurance, ie premium plus excess, are charged to the Fund and offset by contributions from services which are reflected in total revenue expenditure.

In 2009/10 a net deficit was generated by claims on the policy excesses being above this ceiling of £38,000 (2008/09 - net surplus £126,000).

	2008/09	2009/10
	£000	£000
Opening Balance	596	744
Net Surplus/(deficit) (as above)	126	(38)
Interest Received etc	<u>22</u>	<u>4</u>
Closing Balance	<u>744</u>	<u>710</u>

34. Movements on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2009	Net Movement in Year	Balance 31 March 2010	Purpose of Reserve	Further Detail of Movements
	£000	£000	£000		
Revaluation Reserve	0	27,413	27,413	Store of gains on revaluation of fixed assets not yet realised through sales	
Capital Adjustment Account	144,103	(36,942)	107,161	Store of capital resources set aside to meet past expenditure	(a) below
Financial Instruments Adjustment Account	(4,761)	280	(4,481)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	(b) below
Capital Receipts Reserve	3,215	(2,480)	735	Proceeds of fixed asset sales available to meet future capital investment	(c) below
Pensions Reserve	(46,280)	(58,756)	(105,036)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 4 to the Core Financial Statements and (d) below
General Fund	5,531	2,435	7,966	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance
Housing Revenue Account	6,052	(1,790)	4,262	Resources available to meet future running costs for council housing	HRA Statements
Insurance Fund	744	(34)	710	Resources to provide an element of self-insurance	Note 33 to the Core Financial Statements
Total	108,604	(69,874)	38,730		

(a) Capital Adjustment Account

Appropriations to and from the Capital Adjustment Account are required for the differences between loans fund principal charges and the amount of depreciation provided in the accounts. Credits relate to capital receipts and the release of income from the Government Grants Deferred Account.

The movement in this reserve can be attributed to the following items:

	£000
Depreciation	(9,800)
Impairments	(33,915)
Net book value of Disposals	(1,796)
Depreciation written off on disposals	45
Capital Receipts received	1,599
Capital receipts unapplied	(584)
Statutory consent to borrow for equal pay	(1,245)
Amortisations	(192)
Principal repayments	5,449
Finance lease repayment	168
Capital funded from revenue	2,561
Deferred Government Grant release	<u>768</u>
	<u>(36,942)</u>

(b) Financial Instruments Adjustment Account

Statutory guidance allows Scottish local Authorities to treat all existing premiums & discounts (on repayment of debt) as unattached to existing loans. These are held in the FIAA and charged to the general fund as per original schedule.

The movement in the year is:

	£000
Release of premiums in year	313
Increase in carrying value of LOBO loans	<u>(33)</u>
	<u>280</u>

(c) Capital Receipts Reserve

Capital receipts received in the year are available to finance new capital expenditure or to finance the repayment of principal on existing loans.

The movement in the year is:

	£000
Capital receipts received	811
Capital receipts applied to fund principal repayments	(3,064)
Capital receipts applied to fund capital expenditure	<u>(227)</u>
	<u>(2,480)</u>

(d) Pensions Reserve

The movement in this reserve can be summarised as follows:

	£000
Appropriations (to)/ from revenue	(3,858)
Actuarial gains and losses relating to pensions	<u>(54,898)</u>
	<u>(58,756)</u>

35. Charitable Trusts

The Council acts as sole Trustee for 8 Charitable trusts and Endowments.

	2009 £'000	2010 £'000
Clackmannan District Charitable Trust	31	30
Alloa Day Home Trust	170	171
Clackmannanshire Educational Trust	32	31
William M Duncanson Legacy	9	9
J Thomas Patons Endowment Fund	12	12
Robert Jeffrey's Legacy	2	2
Mrs Elizabeth McNair's Legacy	2	2
War Memorial Trust Fund	<u>13</u>	<u>13</u>
	<u>271</u>	<u>270</u>

36. Notes Relating to the Cash Flow Statement

Note A

For the Year Ended 31 March 2010

	2009/10 £000	2009/10 £000
RECONCILIATION OF SURPLUS/(DEFICIT) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
SURPLUS/(DEFICIT) FOR THE YEAR		(42,389)
<u>Non Cash Transactions</u>		
Depreciation & Impairment	43,908	
Deferred Grants amortised in year	(768)	
Pension Fund adjustments	3,858	
Provision for Equal Pay	1,834	
		48,832
<u>Adjustment for items reported separately on Cashflow</u>		
Interest and Investment Income		(176)
Interest payable and similar charges (including gains or losses on the repurchase of or early settlement of borrowing taken to revenue & amortisation of gains or losses on repurchase or early settlement of borrowings c/fwd in accordance with the SORP)		9,563
Gain or loss on the disposal of Fixed Assets		151
<u>Items on an Accrual Basis</u>		
(Increase)/Decrease in Stock		39
(Increase)/Decrease in Debtors		699
Increase/(Decrease) in Creditors		(1,610)
Net Cash Inflow(outflow) from operating activities		15,109
		=====

Note B

Analysis of Net Debt

	Cash £000	Short Term deposits £000	Short Term Investments £000	Total £000	Loans Due within one year £000	Loans due after more than one year £000	Deferred Liabilities £000	Net Debt £000
Balance at 1 April 2009	32,952	0	17,751	50,703	(40,012)	(115,325)	(37,266)	(141,900)
Receipt/payment of interest accrued at last Balance Sheet date	-	-	0	0	1,665	-	0	1,665
Other Cashflows in Year	(23,726)	0	(17,687)	(41,413)	37,538	(10,189)	55	(14,009)
Other Non Cash changes	-	-	0	0	(1,798)	0	(10,272)	(12,070)
Balance at 31 March 2010	9,226	0	64	9,290	(2,607)	(125,514)	(47,483)	(166,314)

Note C**Reconciliation of changes in Cash to movement in Net Debt**

	2010 £000	2010 £000	2009 £000
Increase/(Decrease) in cash in year		(23,726)	28,242
Cash inflow (outflow) from management of Liquid Resources		(17,687)	7,498
Cash inflow from:			
New loans raised		(11,581)	(44,479)
Cash outflow from:			
Loans repaid	38,930		97
Payment of interest accrued at last balance sheet date	1,665		1,574
Deferred Liabilities Spend	<u>55</u>		<u>14</u>
		40,650	1,685
		<u>(12,344)</u>	<u>(7,054)</u>
Change in net debt resulting from cash flows			
Other Non Cash changes			
Interest accrued at year end on loans & finance leases carried at nominal value	(1,798)		(1,665)
New Deferred Liabilities	<u>(10,272)</u>		<u>(36,248)</u>
		<u>(12,070)</u>	<u>(38,093)</u>
Net Debt B/fwd		(141,900)	(96,753)
Net debt C/fwd		(166,314)	(141,900)

Note D**Analysis of changes in cash and liquid resources during the year**

	2010 £000	2009 £000	Change in Year £000
Short Term Investments	64	17,751	(17,687)
Short Term Deposits	0	0	0
Cash	9,226	32,952	(23,726)
Bank overdraft	<u>0</u>	<u>0</u>	<u>0</u>
Increase/(Decrease) in year	<u>9,290</u>	<u>50,703</u>	<u>(41,413)</u>

Note E
Government Grants

2008/09		2009/10
£000		£000
68,583	Revenue Support Grant	73,924
12,767	DSS Grants for Benefits	16,190
	Other Government Grants:	
62	Scottish Enterprise Forth Valley	0
25	Forth Valley Health Board	0
2	Quality Assurance Development	1
6	Primary Milk Scheme	12
137	Schools of Ambition	142
58	ESOL	9
23	Masterclass	0
241	Determined to succeed	133
255	Education Maintenance Allowance	266
68	Youth Music Provision	68
27	Post School Psychological Services	0
1	Active Start	0
2	Adult Literacy and Numeracy	0
6	SEN School Sports Coordinator	32
2	Active Secondary	13
104	Active Primary Coordinator	93
10	Community Regeneration	0
15	Gaelic Grant	15
1	Communities Scotland (Regeneration Outcome Regeneration)	5
25	Community Safety	16
(4)	Positive Coaching Scotland	49
5,430	SAK / Capital Grants	7,809
323	NEET funding	0
(97)	Active Schools	7
0	Rugby Development	13
275	PSHG	517
20	Home Energy	67
990	Criminal Justice	1,109
175	Telecare	100
586	Fairer Scotland	2,044
15	BID	20
196	CJA	156
<u>3,249</u>	Various	<u>4,891</u>
<u>93,578</u>		<u>107,701</u>

CLACKMANNANSHIRE COUNCIL

HRA INCOME AND EXPENDITURE ACCOUNT For the year ended 31 March 2010

2008/09		2009/10	2009/10
£000		£000	£000
	Income		
(12,723)	Dwelling rents	(13,292)	
(58)	Non-dwelling rents	(61)	
(2)	Other Income	0	
(12,783)	Total Income	0	(13,353)
	Expenditure		
4,734	Repairs and maintenance	5,050	
3,533	Supervision and management	3,561	
7,540	Depreciation and impairment of fixed assets	14,971	
274	Other expenditure	242	
117	Increase in bad debt provision	51	
16,198	Total Expenditure	23,875	23,875
3,415	Net Cost of HRA Services per Authority Income and Expenditure Account		10,522
361	HRA services share of Corporate and Democratic Core		382
3,776	Net Cost of HRA Services		10,904
(372)	(Gain)/loss on sale of HRA fixed assets		152
1,844	Interest payable and similar charges		1,786
(264)	Interest and investment income		(34)
74	Pensions interest cost and expected return on pension assets		217
5,058	Deficit for the year on HRA Services		13,025

CLACKMANNANSHIRE COUNCIL

STATEMENT OF MOVEMENT ON THE HRA BALANCE For the year ended 31 March 2010

<u>2008/09</u> <u>£000</u>		<u>2009/10</u> <u>£000</u>
5,058	Deficit for the year on the HRA Income and Expenditure Account	13,025
(3,754)	Net additional amount required by statute to be (credited) to the HRA Balance for the year	(11,235)
<hr/>		<hr/>
<u>1,304</u>	(Increase)/Decrease in the H R A Balance	<u>1,790</u>
(7,356)	Housing Revenue Account surplus brought forward	(6,052)
<u>(6,052)</u>	Housing Revenue Account surplus carried forward	<u>(4,262)</u>

CLACKMANNANSHIRE COUNCIL

Note to the Statement of Movement on the HRA Balance

2008/09 £000		2009/10 £000	2009/10 £000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
(7,540)	Depreciation and impairment of fixed assets	(15,076)	
372	Gain or (loss) on sale of HRA fixed assets	(152)	
<u>(318)</u>	Net charges made for retirement benefits in accordance with FRS 17	<u>(418)</u>	
(7,486)			(15,646)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
332	Employer's contribution payable to the Falkirk Pension Fund and retirement benefits payable direct to pensioners		341
1,322	Loans fund principal		1,509
2,078	Capital expenditure funded by the HRA		2,561
<u>(3,754)</u>	Net additional amount required to be credited to the HRA Balance for the year		<u>(11,235)</u>

CLACKMANNANSHIRE COUNCIL

NOTES TO HOUSING REVENUE ACCOUNT

1. Bad Debt Provision

In 2009/10 the provision for bad debt in respect of rent arrears and invoices for housing repairs is £559,416. (2008/09 £563,444).

2. Rent Arrears

Rent arrears decreased during the year by £62,743, to a total of £745,455. As a percentage of gross rental income the arrears represent 5.6% (2008/09 – 6.3%), which is equivalent to £149 (2008/09 - £160) per house.

3. Housing Stock

The stock of houses at 31 March 2010 was 5,006 (31 March 2009 - 5,026). The types of apartments are detailed in the following categories:

	Number	Previous Year
One apartment	40	40
Two apartments	1,303	1,303
Three apartments	2,261	2,269
Four apartments	1,257	1,269
Five apartments	143	143
Six apartments	<u>2</u>	<u>2</u>
	<u>5,006</u>	<u>5,026</u>

CLACKMANNANSHIRE COUNCIL

COUNCIL TAX INCOME ACCOUNT

For the year ended 31 March 2010

2008/09 £000		2009/10 £000	2009/10 £000
(24,743)	Total Charges Levied		(24,906)
	Deduct:-		
744	Exemptions		752
2,385	Discounts		2,326
3,300	Council Tax Rebates	3,551	
(3,336)	Less: Government Grant	<u>(3,602)</u>	(51)
32	Relief (Persons with a Disability)		29
396	Provision for bad and doubtful debts		460
(5)	Other Adjustments		-
(21,227)	Income from Council Tax		(21,390)
	Add:-		
(1)	Community Charge Arrears Recovered		(1)
(21,228)	Net Local Council Tax Income transferred to General Fund		(21,391)

CLACKMANNANSHIRE COUNCIL

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. CALCULATION OF THE COUNCIL TAX CHARGE BASE 2009/10

	Valuation Band									Total
	A (Disabled relief)	A	B	C	D	E	F	G	H	
Total number of dwellings	0	6,316	7,209	1,971	2,412	3,117	1,766	800	46	23,637
Less exempt dwellings	0	(232)	(202)	(63)	(50)	(46)	(16)	(10)	(5)	(624)
Disabled reduction	20	12	(16)	5	21	(29)	(6)	(6)	(1)	0
Less adjustment for single discounts	(3)	(917)	(761)	(198)	(170)	(159)	(60)	(28)	(0)	(2,296)
Less adjustment for double discounts	0	(37)	(49)	(18)	(21)	(21)	(14)	(10)	(1)	(171)
Effective number of dwellings	17	5,142	6,181	1,697	2,192	2,862	1,670	746	39	20,546
Band D equivalent factor (ratio)	(5/9)	(6/9)	(7/9)	(8/9)	(9/9)	(11/9)	(13/9)	(15/9)	(18/9)	
Band D equivalent Number of dwellings	9	3,428	4,807	1,508	2,192	3,498	2,412	1,243	78	19,175
Less provision for non-collection 3.0%										575

COUNCIL TAX BASE 2009/10 (equivalent to a Council Tax of £1,148)	18,600
--	---------------

The product of the council tax base and the equivalent council tax charge give a budget for current year council tax income of £21.353m.

2. COUNCIL TAX PROPERTIES AND COUNCIL TAX CHARGES

Valuation Band	Property Valuation Range	Effective Number of Dwellings	Total Council Tax Charge
A (Disabled Relief)		17	£ 637.78
A	£0 - £27,000	5,142	765.33
B	£27,001 - £35,000	6,181	892.89
C	£35,001 - £45,000	1,697	1,020.44
D	£45,001 - £58,000	2,192	1,148.00
E	£58,001 - £80,000	2,862	1,403.11
F	£80,001 - £106,000	1,670	1,658.22
G	£106,001 - £212,000	746	1,913.33
H	Over £212,000	39	2,296.00
		<u>20,546</u>	

CLACKMANNANSHIRE COUNCIL

NON-DOMESTIC RATE INCOME ACCOUNT For the year ended 31 March 2010

2008/09 £000		2009/10 £000	2009/10 £000
(14,153)	Gross Rates Levy		(15,077)
<u>(82)</u>	Large property Supplement		(83)
<u>(14,235)</u>	Rates Levied and Contributions in lieu		<u>(15,160)</u>
	Deduct: Reliefs, Remissions, etc.		
<u>310</u>	Rating (Disabled Persons) Relief		<u>321</u>
	Other Reliefs:-		
594	- Small Business Relief	880	
485	- Mandatory Relief	507	
82	- Discretionary Relief	85	
79	- Sports Club Relief	82	
<u>0</u>	- Rural Relief	<u>1</u>	
<u>1,240</u>			<u>1,555</u>
<u>587</u>	Voids and Empty Periods		<u>750</u>
<u>181</u>	Provision Against Doubtful Debts		<u>188</u>
<u>(11,917)</u>	Total for current year		<u>(12,346)</u>
<u>171</u>	Previous Years Charge Decrease (Increase)		<u>57</u>
<u>74</u>	Adjustments for Reliefs, Remissions etc		<u>110</u>
<u>56</u>	Payment of Interest		<u>4</u>
<u>(16)</u>	Provision Against Doubtful Debts		-
<u>285</u>	Total for previous years		<u>171</u>
<u>(11,632)</u>	Net Non-Domestic Rate Income		<u>(12,175)</u>
<u>(20)</u>	add back :- 25% Discretionary Reliefs not offset for Pool Contribution		<u>(21)</u>
<u>(11,652)</u>	Income for Contribution to Non-Domestic Rate Pool		<u>(12,196)</u>
11,652	Contribution to National Non-Domestic Rate Pool	12,196	
<u>(18,807)</u>	Distribution from National Non-Domestic Rate Pool	<u>(21,165)</u>	
<u>(7,155)</u>	Gain from National Pool		<u>(8,969)</u>
<u>(18,807)</u>	Net Non-Domestic Rate Income transferred to General Fund		<u>(21,165)</u>

CLACKMANNANSHIRE COUNCIL

NOTES TO THE NON-DOMESTIC RATE ACCOUNT

1. RATE POUNDAGES LEVIED

	2008/09 p	2009/10 p
National Non-Domestic Rate	45.8	48.1
small business relief supplement – properties valued > £29,000	0.4	0.4

2. CLACKMANNANSHIRE RATEABLE VALUES

	as at 1 April 2008 £000	as at 1 April 2009 £000
Commercial	12,089	12,075
Industrial	12,732	12,606
Miscellaneous	<u>6,527</u>	<u>6,817</u>
Total	<u>31,348</u>	<u>31,498</u>

3. NUMBER OF PREMISES

	as at 1 April 2008	as at 1 April 2009
Commercial	844	841
Industrial	302	306
Miscellaneous	<u>381</u>	<u>384</u>
Total	<u>1,527</u>	<u>1,531</u>

CLACKMANNANSHIRE COUNCIL

COMMON GOOD

Common Good

Common Good Funds are the assets and income of the former burghs of Scotland and stands 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 Spiers Centre, Alloa Town Hall and West End Park all within the former burgh of Alloa. There are also currently £8K principal funds held within the Common Good Account.

COMMON GOOD

BALANCE SHEET

For the year ended 31 March 2010

2008/09		2009/10
	Tangible Fixed Assets	
2,089	Land and buildings	3,391
	Current Assets	
8	Investments	8
<u>2,097</u>	Total Assets Less Liabilities	<u>3,399</u>
0	Revaluation reserve	1,205
2,089	Capital Adjustment Account	2,186
8	Revenue reserve	8
<u>2,097</u>		<u>3,399</u>

CLACKMANNANSHIRE COUNCIL
GROUP INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2010

2008/09 <u>Net</u> <u>Expend</u> £000	<u>Services</u>	2009/10 <u>Gross</u> <u>Expenditure</u> £000	2009/10 <u>Gross</u> <u>Income</u> £000	2009/10 <u>Net</u> <u>Expenditure</u> £000
914	Central Services to the public	1,700	(106)	1,594
7,140	Cultural and Related Leisure Services	15,678	(2,867)	12,811
6,137	Environmental Services	7,917	(73)	7,844
1,116	Planning & Development Services	3,793	(567)	3,226
55,350	Education services	61,609	(2,350)	59,259
3,679	Highways, roads and transport services	6,364	(1,649)	4,715
3,415	Local authority housing (HRA)	23,875	(13,353)	10,522
3,220	Other housing services	22,741	(19,798)	2,943
25,245	Social work	37,110	(8,994)	28,116
2,290	Corporate and democratic core	2,520	0	2,520
521	Non distributed costs	3,181	0	3,181
109,027	Net Cost of Council Provided Services	186,488	(49,757)	136,731
	Requisitions from Joint Boards:			
4,261	- Police	4,380		4,380
2,998	- Fire	3,204		3,204
<u>507</u>	- Valuation	<u>418</u>		<u>418</u>
7,766		8,002		8,002
116,793	Net Cost of General Services	194,490	(49,757)	144,733
(35)	Share of Operating Results of Associates	14,211	(14,604)	(393)
	Share of Operating Results of Joint Ventures:			
(29)	- Turnover		(278)	(248)
45	- Other Operating Income & Expenditure	289		288
116,774	Net Cost of Services	208,990	(64,639)	144,380
(364)	(Profit) /Loss on the disposal of fixed assets			172
(328)	Surpluses on Trading Operations not included in Net Cost of Services			(542)
6,555	Interest payable			9,564
244	Share of Interest Payable of Associates & Joint Ventures			186
(1,262)	Interest and Investment Income			(176)
(34)	Share of Interest Receivable of Associates & Joint Ventures			(2)
1,247	Pension interest cost and expected return on pension assets			3,825
4,102	Share of Pension interest cost and expected return on pension assets of Associates			4,451
14	Taxation of Group Entities			8
126,948	Net Expenditure			161,866
	Financed By:			
(68,039)	Revenue Support Grant			(72,610)
(18,807)	Non Domestic Rates – Distribution from National Pool			(21,165)
<u>(21,228)</u>	Council Tax and Community Charge			<u>(21,391)</u>
(108,074)				(115,166)
18,874	Deficit for the year			46,700

CLACKMANNANSHIRE COUNCIL

RECONCILIATION OF THE SINGLE ENTITY DEFICIT FOR THE YEAR TO THE GROUP DEFICIT

2008/09 £000		2009/10 £000
14,659	Deficit for the year on the Authority Income and Expenditure Account	42,389
	(Surplus)/deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions)	
(74)	Subsidiaries	0
4,209	Associates	4,221
<u>80</u>	Joint Ventures	<u>90</u>
18,874	Deficit for the year on the Group Income and Expenditure Account	46,700

CLACKMANNANSHIRE COUNCIL

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES **For the year ended 31 March 2010**

This statement brings together all the gains and losses of the Group for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Group Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09 £000		2009/10 £000
18,874	Deficit for the year on the Income and Expenditure Account	46,700
885	(Surplus) deficit arising on revaluation of fixed assets	(27,536)
24,306	Actuarial (gains)/losses on pension fund assets and liabilities	87,636
<hr/>		<hr/>
<u>44,065</u>	Total recognised (gains)/losses for the year	<u>106,800</u>

CLACKMANNANSHIRE COUNCIL
GROUP BALANCE SHEET
For the year ended 31 March 2010

31 March 2009		31 March 2010	31 March 2010
£000		£000	£000
568	Intangible Assets		524
	Tangible Fixed Assets		
	<i>Operational Assets:</i>		
141,227	council dwellings		130,706
119,720	other land and buildings		149,521
6,573	Vehicles, plant, furniture and equipment		7,150
25,053	infrastructure assets		29,173
	<i>Non-Operational Assets:</i>		
19,162	investment properties		6,239
24	assets under construction		4
287	Surplus assets held for disposal		8,916
312,614	Total intangible and fixed assets		332,233
968	Long-term investments		968
6,000	Investments in associates		5,168
1,794	Investments in Joint Ventures – Gross Assets	1,675	
(1,538)	- Gross Liabilities	<u>(1,520)</u>	155
65	Long-term debtors	66	
(53)	less provision for bad debts	<u>(53)</u>	
319,850	Total long-term assets		338,537
	Current assets		
486	Stocks and work in progress	440	
23,376	Debtors	19,347	
(10,386)	Less provision for bad debts	<u>(7,158)</u>	
17,751	Investments	12,189	
33,098	Cash and bank	64	
		9,259	
384,175	Total assets		21,952
	Current Liabilities		360,489
(40,012)	Short Term Borrowing	(2,607)	
(15,820)	Creditors	(15,168)	
328,343	Total assets less current liabilities		(17,775)
	Long-term liabilities		342,714
(115,325)	Long Term Borrowing	(125,514)	
(1,269)	Provisions	(3,098)	
(10,345)	Government grants deferred	(15,635)	
(838)	Deferred liabilities	(784)	
(39,382)	Other long-term liability	<u>(48,595)</u>	<u>(193,626)</u>
161,184	Total assets less liabilities excluding pension liability		149,088
(110,694)	Liability related to defined benefit pension scheme		(205,398)
50,490	Total assets less liabilities		(56,310)
	Financed by:		
148,168	Capital Adjustment Account		111,025
1,136	Revaluation Reserve		28,672
(4,761)	Financial Instruments Adjustment Account		(4,481)
3,244	Capital Receipts Reserve		868
(110,605)	Pensions reserve		(205,398)
744	Earmarked reserve – Insurance fund		710
5,531	General fund balance		7,966
6,052	Housing Revenue Account		4,262
0	Employee Statutory Adjustment Account		(608)
981	Other Reserves		674
50,490	Group Balances and Reserves		(56,310)

Nikki Bridle
Director of Finance and Corporate Services
23rd September 2010

CLACKMANNANSHIRE COUNCIL

GROUP CASH FLOW STATEMENT For the year ended 31 March 2010

2008/09 £000		2009/10 £000	2009/10 £000	
13,565	Net Cash Inflow from Revenue Activities		14,995	(9,350)
	Returns on Investments and Servicing of Finance			
(6,091)	- Interest Paid	(9,463)		
1,264	- Interest Received	<u>177</u>	(9,286)	
(13)	Taxation		0	
	Capital Expenditure and Financial Investment			
(40)	- Purchase of fixed assets	0		
467	- Long Term Investments	0		
(21,917)	- Other capital cash payments	(27,948)		
1,587	- Sale of fixed assets	2,060		
3,515	- Capital grants received	<u>6,057</u>	(19,831)	
(8,597)	NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		(14,122)	
	Management of Liquid Resources			
0	- Net increase/(decrease) in short- term deposits		0	
(7,498)	- Net increase / (decrease) in other liquid resources		17,687	
	Financing			
(14)	- Repayments of amounts borrowed	(38,985)		
<u>44,382</u>	- New loans raised	<u>11,581</u>	(27,404)	
28,273	NET INCREASE/(DECREASE) IN CASH		(23,839)	

CLACKMANNANSHIRE COUNCIL

NOTES TO THE GROUP ACCOUNTS

Bases of Consolidation

The Council has an interest in a number of Subsidiary and Associate Companies along with Joint Ventures. Full details of these interests have already been detailed within Note 19 of the Notes to the Core Financial Statements of the single entity Accounts. For the purposes of consolidation and incorporation within the Group Accounts recognition has been made of the Council's controlling interest in its one subsidiary company and its minority interests in the three associate organisations and two joint venture companies.

The Companies which have been consolidated and percentage of total shareholdings are:
Apex Leisure (Management) Limited – 100%

The Associates which have been incorporated and shares of total requisitions are:
Central Scotland Police Joint Board – 15.8%
Central Scotland Fire and Rescue Joint Board – 17.8%
Central Scotland Valuation Joint Board – 15.4%

The Joint Ventures which have been incorporated and percentage of total shareholdings are:
CSBP Clackmannanshire Investments Limited – 50%
CSBP Clackmannanshire Developments Limited – 50%

The accounting period for these entities is the 31st March 2009, with the only exception being in respect of Apex Leisure (Management) Limited which reported to 30th September 2009. The company ceased operations as at 30th September 2009, when the management of the Alloa Leisure Bowl was taken over by an independent private company.

The individual accounts relating to these entities are published separately, and are available from the Finance Manager, Greenfield, Alloa, FK10 2AD.

The Council inherited its interest in Apex Leisure (Management) Limited following the reorganisation of local government in 1996. It is considered that the acquisition was based on the acquisition method. However, as no consideration was given for this interest there is no goodwill involved in this instance.

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

Accounting Policies

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 7 to 13.

Associates

The following disclosures are required under Financial Reporting Standards because the Council share of the net liabilities of the Joint Boards exceed 15%. The aggregate share of these entities are noted below.

		Police	Fire	Valuation	Total
	2008/09				2009/10
	£000	£000	£000	£000	£000
Turnover	14,009	10,380	3,371	451	14,202
Fixed Assets	9,550	5,621	3,864	2	9,487
Current Assets	1,500	760	539	51	1,350
Liabilities due within one year	(795)	(641)	(151)	(19)	(811)
Liabilities due after one year or more	(68,668)	(78,060)	(26,180)	(980)	(105,220)

New Police and Fire Pension Schemes

The Local Government Pension Reserve Fund (Scotland) Regulation 2003 is the relevant legislation which allows local authorities to establish a pension reserve for pension scheme surpluses and deficits. The Regulation allows local authorities to reverse out through the Statement on the Movement of the General Fund Balance the pension costs under FRS 17, *Retirement Benefits*, and replace them with the actual pension contributions paid out of the general fund.

As part of the process of arranging the new funding structure for Police and Fire pension schemes from 1 April 2010 it was recognised that the statutory instruments which allow FRS17 entries in relation to pensions to be charged to the Pension Reserve do not apply. It should be noted that under SORP 2009 injury benefits/compensation scheme liabilities meet the definition of Defined Benefit Schemes.

The main change is that injury benefit/compensation figures are presented in the Employee Statutory Mitigation Account (separated from the Pensions Reserve) and in other Retirement Benefit Liabilities (separated from the Pensions Liability) in the Balance Sheet.

Joint Ventures

The following disclosures are required under Financial Reporting Standards because the Council share of the two Joint Venture companies exceed 25%. The share of each of these entities are noted below.

CSBP Clackmannanshire Investment Company

	2008/09	2009/10
	£000	£000
Turnover	19	230
Profit / (loss) before tax	(12)	(37)
Taxation	(4)	(3)
Fixed Assets	0	0
Current Assets	511	332
Liabilities due within one year	(210)	(77)
Liabilities due after one year or more	0	0

CSBP Clackmannanshire Development Company

	2008/09	2009/10
	£000	£000
Turnover	10	18
Profit / (loss) before tax	(72)	(46)
Taxation	0	(4)
Fixed Assets	0	0
Current Assets	1,283	1,343
Liabilities due within one year	(1,328)	(1,443)
Liabilities due after one year or more	0	0

Financial Impact of Consolidation

The effect of inclusion of the Subsidiary, Associate and Joint Venture entities on the Group Balance Sheet is to reduce both Reserves and net assets by £95.040m . The main reason for this reduction is due to the inclusion of pension fund deficits attributable to the Police and Firefighters pension schemes.

Pension Assets and Liabilities

The underlying assets and liabilities for retirement benefits as at 31st March 2010 attributable to the Council and its share of associates are as follows

	Clackmannanshire Council £000s	Police Joint Board £000s	Fire Joint Board £000s	Valuation Joint Board £000s
Estimated liabilities in Local Government Pension Scheme	(229,772)	(5,308)	(948)	(2,509)
Estimated liabilities in Police Pension Scheme		(73,010)		
Estimated liabilities in Firefighters Pension Scheme			(15,931)	
Estimated liabilities arising from unfunded discretionary benefits	(16,817)	(40)		
Estimated assets in Local Government Pension Scheme	141,553	3,377	746	1,529
Net asset/(liability)	(105,036)	(74,981)	(16,133)	(980)

Group Cash Flow Statement

The impact of the incorporation of the subsidiary company within the Group Cash Flow Statement results in no change to the movement in the net cash position.

The overall net deficit for the year of £38.908m can be reconciled to the operating activities net cash inflow of £14.995m as follows:

2008/09 £000		2009/10 £000	2009/10 £000
(18,874)	(Deficit) for the Year per Group Income and Expenditure Account		(46,700)
4,290	Decrease in General Fund Balance for the year not included in Cash Flow as not subsidiary		4,288
	Items on an Accruals Basis		
38	(Decrease) in Stocks	47	
6,760	Increase/(decrease) in Debtors	(1,003)	
(3,897)	(Increase) in Creditors	<u>(657)</u>	
			(1,613)
	Non Cash Transactions		
24,804	Adjustments not involving movement of funds	57,658	
184	Contributions to Capital	768	
260	Contributions to Provisions	<u>594</u>	
13,565	Net Cash inflow from Revenue Operations		14,995