

CLACKMANNANSHIRE COUNCIL
Financial Statements 2011/12

<u>Contents</u>	<u>Page No</u>
Council Services	2
Explanatory Foreword	4
Statement of Responsibilities	12
Annual Governance Statement	13
Remuneration Report	19
Core Financial Statements:	
Movement in Reserves Statement	31
Comprehensive Income and Expenditure Statement	32
Balance Sheet	33
Cash Flow Statement	34
Notes to the Financial Statements	35
Supplementary Financial Statements:	
Housing Revenue Account	95
Council Tax Income Account	98
Non-Domestic Rates Income Account	100
Common Good	102
Group Financial Statements:	
Group Movement in Reserves Statement	104
Group Comprehensive Income and Expenditure Statement	105
Group Balance Sheet	106
Notes to the Group Financial Statements	107
Independent Auditor's Report	110

CLACKMANNANSHIRE COUNCIL FINANCIAL STATEMENTS 2011/12 Council Services

Local Government

Clackmannanshire Council consists of 5 wards, each represented by 3 or 4 elected members. The Council has 18 Councillors whose political make up is 8 SNP, 8 Labour, 1 independent, 1 Conservative, listed below:

The map shows five wards: Ward 1 (West), Ward 2 (North), Ward 3 (Central), Ward 4 (South), and Ward 5 (East). Each ward is represented by a numbered circle on the map. The council members are listed in boxes around the map, with their names, political affiliations, and contact information.

Ward	Member Name	Party	Contact
Ward 1 - Clackmannanshire West	George Matchett Q.P.M.	LAB	gmatchett@clacks.gov.uk
	Tina Murphy	SNP	07980 012 649 tmurphy@clacks.gov.uk Provost
	Les Sharp	SNP	lsharp@clacks.gov.uk
	Jim Stalker	LAB	jstalker@clacks.gov.uk
	(Empty)		
Ward 2 - Clackmannanshire North	Donald Balsillie	SNP	dbalsillie@clacks.gov.uk
	Walter McAdam MBE	SNP	wmccadam@clacks.gov.uk
	Archie Drummond	IND	adrummond@clacks.gov.uk
	Robert McGill	LAB	rmcgill@clacks.gov.uk
Ward 3 - Clackmannanshire Central	Derek Stewart	LAB	dstewart@clacks.gov.uk
	Graham Watt	LAB	grahamwatt@clacks.gov.uk
	Gary Womersley	SNP	gwomersley@clacks.gov.uk Leader of the Council
Ward 4 - Clackmannanshire South	Janet Cadenhead	LAB	jcadenhead@clacks.gov.uk
	Ellen Forson	SNP	eforson@clacks.gov.uk
	Kenneth Earle	LAB	kearle@clacks.gov.uk
	Craig Holden	SNP	cholden@clacks.gov.uk Depute Leader
Ward 5 - Clackmannanshire East	Alastair Campbell	CON	07791 348 298 acampbell@clacks.gov.uk
	Irene Hamilton	SNP	ihamilton@clacks.gov.uk
	Kathleen Martin	LAB	kmartin@clacks.gov.uk

Service Areas

Clackmannanshire Council's Chief Executive is Elaine McPherson.

The Chief Executive is the senior manager who leads and takes responsibility for the work of the staff of the Council, who run the local authority on a day to day basis. The Chief Executive provides leadership, vision and strategic direction, and effective management of the Council.

During 2011/12 the Council has had six service groupings each lead by a Head of Service. Corporate and Service Management is provided by the Director's group, comprising the Chief Executive, Director of Services to Communities and Director of Finance and Corporate Services. The Council's Corporate Management team comprises the Directors Group plus Heads of Service.



CLACKMANNANSHIRE COUNCIL FINANCIAL STATEMENTS 2011/12

Explanatory Foreword by the Director of Finance and Corporate Services

Introduction

I am pleased to present the Council's Financial Statements for the year ended 31 March 2012. This foreword provides specific details in relation to the Council's financial position and our plans for the year ahead. It also sets the scene for the statements and notes that follow.

The Council strives for excellence in financial management and stewardship of public funds. We continually review and update our processes and procedures and our financial planning continues to adapt to the changing economic climate through a refreshed Financial Strategy and regular Budget Strategy updates. Funding available to councils from the Scottish Government is provided on a 'flat cash' basis for the next three years, which is a real terms reduction in resources. In the longer term we can expect funding to continue to reduce, while at the same time we need to meet increasing demand for services as well as inflationary pressures.

In these circumstances it is vital that we continue to plan ahead and take early action to reduce costs. We have undertaken a third round of budget challenge reviews to identify areas for business case development and consultation. The resultant proposals are focused on helping us to deliver services in a way which is financially sustainable in the future. This includes looking at savings and income generation proposals, proposals for different ways of working and delivering services and ways of better managing the increasing demand which is forecast in some services.

The financial position presented in the financial statements provides us with a platform from which to address the challenging times ahead. Against the background of reducing resources the Council has successfully delivered savings in the year in excess of its budgeted requirement as a result of its ongoing budget realignment, service redesign and proactive financial management activities. As a consequence, this year's statements show an increase in the council's reserves to support service delivery in future years, another year in which it has not been necessary to increase the level of the Council's external debt, and the realisation of a significant capital receipt from the sale of a former school site which supports the Council's strategy of reducing debt.

Finance and Corporate Services aim to continue with its objective to provide professional support to every service area of the Council to help them to continue to manage resources efficiently and effectively.

Economic Climate and Financial Sustainability

The UK economy remains in recession and the 2012 UK budget maintained the top priority focus on rebalancing the budget. The latest indicators suggest that there will be little growth in Scotland this year, and this could call into question the sustainability of flat cash settlements for local government in the future.

The preparation of medium to long term financial plans are subject to a number of key risks and uncertainties which will have an impact on budget assumptions. With our funding essentially static, the greatest pressure the Council faces is managing the effects of inflation which is still sitting at levels above the Bank of England target rate, together with the prospect of modest wage inflation after two years of a pay freeze. In addition the Council is operating at a time of wider public sector reform in the context of welfare reform and the creation of single police and fire forces.

The Council has to manage the financial and service delivery risks associated with the impact of real term reductions in public sector funding, balanced against increasing demands for services and demographic pressures. The Council approved its original Budget Strategy in August 2010, and has been provided with regular update reports on an ongoing basis since then to reflect changes in outlooks and assumptions both external and internal. The ongoing strategy needs to continue to focus on the medium to long term if the Council is to operate within a sustainable cost base. With the Council facing a potential funding gap in excess of £13m up to March 2015, in the coming year the aim is to embed a consistent year round approach to the identification, development, monitoring and implementation of proposals to reduce the Council's expenditure and/or increase income.

Explanation of Statements

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and they present a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2012. A brief explanation of each statement and its purpose is provided on page 30. The Statements are grouped under Core Financial Statements, Supplementary Financial Statements, and Group Financial Statements.

A Remuneration Statement is included at page 19, and for the first year an Annual Governance Statement is provided at page 13.

Capital and Revenue Expenditure

The Council's expenditure is split between the categories of capital and revenue. In broad terms expenditure for capital purposes relate to costs incurred on the acquisition or creation of tangible assets needed to provide services, such as houses, schools, vehicles etc. This is in contrast with revenue expenditure, which is spent on the day-to-day operation of services such as employee costs and supplies and services.

General Fund Results for the year

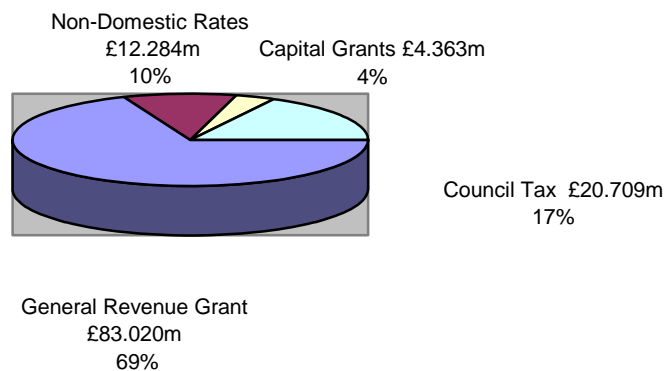
The General Fund covers all the areas of the Council's service provision with the exception of the management of its own housing stock. General Fund services are financed by government grant and local taxation (i.e. Council tax).

The Council's income and expenditure for financial year 2011/12 is detailed in the Comprehensive Income and Expenditure Statement set out on page 32. It should be noted that the classification of services in this statement complies with that prescribed by the Service Reporting Code of Practice (SeRCOP) and differs from the management structure of the Council. A detailed analysis of the Council's finances at its management structure level is disclosed in the Financial Statements Note 11 on page 57.

Sources of Income to the Council

The largest source of funds was the General Revenue Grant and Non-domestic Rates received from Scottish Government which amounted to £95.304m. Income from Council Tax in 2011/12 was £20.709m. During 2011/12, the in-year collection rate for Council Tax increased to 95.2% and there was a favourable variance in Council Tax income of £0.050m. Non Domestic Rate income (NDR) is collected by local authorities, but then all income is remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to councils with the General Revenue Grant. (This is described in more detail in the National Non Domestic Rates Income Account on page 100). In 2011/12 capital grants totalled £4.363m. The proportions of income received by the council in each of these categories is shown in the following chart:

Exhibit 1: Proportion and source of income received in 2011/12



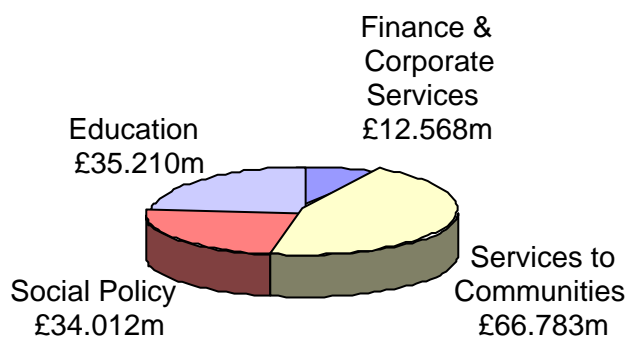
Council Revenue Expenditure Summary

The Council operates under three Directorates:

- Finance and Corporate Services which provides finance, governance, strategy & customer services and IT support.
- Services to Communities which includes development management (planning), environmental health, building standards, roads, property maintenance, waste management, and housing.
- Shared services with Stirling Council delivering Education and Social Services.

In 2011/12 the total operating expenses of these services was £148.573m (as detailed in Note 11 of the Financial Statements on page 57). This level of expenditure indicates the significant size and complexity of the organisation. Exhibit 2 below shows the expenditure apportioned by service with Services to Communities having the highest level of spend and Finance & Corporate Services the lowest.

Exhibit 2: Proportion of 2011/12 Revenue Expenditure by service



Financial Performance

Council Reserves

The overall position on Council's Usable Reserves is shown in Exhibit 3 with further commentary below the exhibit:

Exhibit 3: 2011/12 Summary of Council reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Total £000
Opening Balance as at 1 April 2011	9,129	3,575	-	791	13,495
Enhancements (Utilisation)	3,744	575	4,609	-	8,928
Transfers	(3)	-	-	3	-
Annual Interest	197	30	-	-	227
Closing Balance as at 31 March 2012	13,067	4,180	4,609	794	22,650

A comprehensive analysis of the Council's reserves is provided in the Movements in Reserves Statement on page 31 and supporting notes. This statement demonstrates the increase or decrease in fund balances as a result of the activities of the Council during the financial year. It will be noted that total usable reserves have increased from £13.495m at March 2011 to £22.650m at March 2012.

The General Fund has increased from £9.129m at the start of the year to £13.067m at March 2012. The uncommitted element of this balance, which represents the service income and expenditure approved and monitored throughout the year, recorded a surplus of £3.943m compared to an approved budgeted deficit for the year of £0.251m. This was reported to Council and Scrutiny Committee throughout the year and was the result of proactive budget realignment, savings generated early during 2011/12 rather than 2012/13, and some vacancy management savings where restructuring proposals had been delayed.

It is also necessary to earmark balances for future known commitments, and in this respect £5.483m is earmarked for use either by individual services such as Education or Housing, or to meet corporate liabilities such as Single Status. A breakdown of the committed element of reserves is as follows:

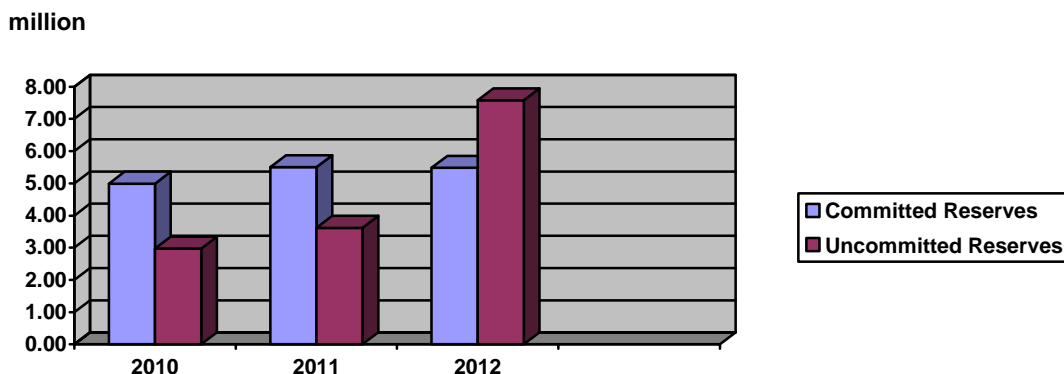
Exhibit 4: Committed reserves 2011/12

	Total
	£000
Secondary Schools PPP	1,421
Service Improvement Contracts	1,275
Implementation of Single Status	622
Modernising Government	164
Zero Waste Fund	134
Adult Care carry forward scheme	250
Public Sector Housing	50
Service Redesign	241
Clacks Works	422
Spend to Save Fund	279
Equal Pay	450
Miscellaneous Service commitments	175
	5,483

The uncommitted element of General Reserve which is generally available to support future expenditure stands at £7.584m or 6.4% of budgeted net expenditure. The Council reviewed its reserves strategy at its meeting in February 2012 when considering its budget for 2012/13. It was agreed that it would retain uncommitted reserves at a minimum level of 3% of net expenditure. The level of uncommitted reserve at March 2012 is £3.995m in excess of the minimum level. In anticipation of this position the Council agreed to support its 2012/13 budget by utilising £2.022m of the uncommitted reserves. This results in a net uncommitted reserve balance of £5.562m (4.6% of budgeted expenditure) at the start of 2012/13 financial year.

The movement in the Council's reserve position over the last three years (trend) is shown below:

Exhibit 5: Trend in reserves position 2009/10-2011/12



Housing Revenue Account

The Housing Revenue Account which funds the provision of council housing incurred a surplus on its balance for the year of £2.489m as compared to a budgeted surplus of £1.457m. The positive outcome can be attributed to a reduction in repairs costs, vacancy management, and reduced capital financing costs.

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 2011/12, a revenue contribution to capital of £1.884m has been made.

As a result of the surplus achieved in the year together with the contribution to capital investment, working balances available to the Housing Revenue Account have increased to £4.180m. This balance will continue to be earmarked to support the delivery of the Housing Business Plan in line with our approved strategy.

Capital Expenditure

The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability, sustainability, the management of assets and the achievement of strategic objectives. Capital spending in 2011/12 on General Fund Services (including operational Common Good properties) was £5.786m and on Housing was £2.851m. This represents 57% of the planned spending level. Capital expenditure was financed by government grants, capital receipts and revenue funding which ensured now new borrowing was required.

Expenditure	£000	Financed By	£000
Property Asset Management plan	2,846	Government Grants & Contributions	5,690
Roads Asset Management plan	2,073	Capital Receipts	747
Land Asset Management plan	121	Capital Finance from Revenue	2,202
Fleet Asset Management plan	439		
IT Asset Management plan	308		
Housing Business plan	2,852		
	8,639		8,639

The capital expenditure invested during the year was £6.517m less than anticipated. The Council has established a cross party member and officer Capital Investment Forum (CIF) to provide a sustainable approach to capital investment in the future. The work of the CIF to date has concentrated on reviewing and agreeing broad classifications and priorities for the Council in the medium to long term, and aims to bring together the various asset management strands into an overarching Corporate Asset Management Plan. The Council currently has a three year rolling capital programme. The CIF plans to extend this to a five year rolling programme, aligned to the priorities set out in a Corporate Asset Management Plan and financed in line with the Council's approved Borrowing and Investment Strategy. Work is also in hand to establish a capital projects prioritisation framework.

The underpinning drivers in setting capital budgets are:

- the Council's approved borrowing and Investment Strategy to ensure that the programme is affordable and complies with the objective of reducing the Council's overall levels of borrowing; and
- implementation of the capital investment priorities set out in asset management strategies.

In 2011/12, the CIF also proposed the following capital investment principles which were subsequently adopted by the Council in setting its 2012/13 budgets:

Alignment	the phasing of planned activity and expenditure is aligned within the Programme to maximise the use of available capital resources
Maximise Investment potential	by minimising slippage
Flexibility and responsive	Flexibility to rephase activity and expenditure between years to maximise the use of available resources
Sustainability	prioritise investment to ensure the sustainability of the environment, local infrastructure and service delivery. Also ensure the sustainability of the financing of investments by proactively identifying innovative funding mechanisms and opportunities.
Prudence	exercise caution and careful management in considering investment opportunities
Transparency	Capital investment prioritisation is open and transparent and is appraised within a consistent council approved framework
Fairness and Equity	Access to scarce capital investment resources is underpinned by equality of opportunity for services and communities through the consideration of Equalities Impact Assessment.

Debt

It is the duty of the Council to determine and keep under review the maximum amount that it can afford to allocate to capital expenditure together with the associated revenue implications. The Prudential Code for Capital Finance requires the Council to ensure that any borrowing is prudent, sustainable and affordable. This is demonstrated annually through the approval of a treasury management strategy supported by a range of prudential indicators.

Capital expenditure invested by the Council in 2011/12 is outlined above and further explained in Note 38 at page 79. Capital expenditure is paid for by charging a proportion of the cost (principal) along with interest each year to the revenue account. The current level of expenditure not yet repaid is the Capital Financing Requirement (CFR) of the Council, which at 31 March 2012 was £118.477m. This is in comparison to the net value of assets owned which was £316.529m.

The Council's gross external debt as at March 2012 which supports our investment and development of long-term assets totals £172.438m, consisting of:

Long-term borrowing	£123.732m
PFI and other finance leases	£ 48.706m

This is a reduction of £1.203m on the previous year external debt position of £173.641m. With no new external debt borrowed during the year, the reduction in debt is due to repayments made. This position is consistent with the Council's Borrowing and Investment strategy of minimising new borrowing and reducing overall levels of debt over the medium term. Interest paid in the year was £9.258m, a reduction from £9.500m incurred in 2010/11, and relates to the reduction in accumulated borrowing to £176.521m.

In March 2012, the Council completed the sale of the former Alloa Academy school site, and the capital receipt received, together with other minor sales, totalling £4.609m are held in the capital receipts reserve. The sum is available either to be applied to reduce future borrowing requirements or to finance loan principal repayments.

Secondary Schools PPP

Following the introduction of revised Financial Reporting arrangements introduced in 2009/10 for PPP projects, the Council's three new secondary schools are recorded within the long-term assets of the Council, along with a liability for the financing provided by the PPP operator. The outstanding finance liability at March 2012 is £48.112m and this sum is included within the Council's overall borrowing position referred to above.

The unitary charge paid to the operator in 2011/12 was £6.917m and will increase annually by inflation over the 30 year term of the contract. The Scottish Government provides additional funding towards the project of £3.430m per annum. The total cost of the contracted project is set out in note 40 on page 81.

During 2010/11 a review of the Council's PPP funding model was undertaken on the basis that in view of the current operating environment and in particular UK wide economic and financial pressures, some of the original assumptions contained within the financing model were out of date. In particular, the relationship between planned council tax increases and the financing model was no longer relevant with the ongoing commitment to freeze council tax and changes in the level of RPI are in excess of those envisaged at the inception of the model. The revised model continues to be based on a straight repayment basis. It is intended that further work will be undertaken during 2012/13 to review the options available for the longer term financing of the Council's PPP.

Net Pension Liability

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at March 2012 disclosed a deficit of £76.257m. The calculation is prepared for the purposes of International Accounting Standard 19 (IAS 19) reporting requirements and is not relevant for funding purposes i.e. does not have a direct impact on council tax or housing rent payers. This is simply a snapshot of the position at that time. The latest long-term triennial funding valuation of the Fund for the purpose of setting employers' actual contributions was at 31 March 2011 and contributions to the fund continue in line with current actuarial advice which is consistent with our planned annual stepped increases until March 2014.

The pension deficit is a deterioration of £14.640m on the position recorded in March 2011 and the significant changes that have taken place during the year are that:

- the deficit has increased due to falling real bond yields;
- the deficit has further increased due to poor asset returns;
- the projected pension expense for next year has also risen for the same reasons, and reduced the expected asset rates of return.

Significant Trading Operations

The performance of the Council's two trading operations are disclosed in Note 32 at page 76. The statutory financial requirement for significant trading operations is to at least break even over a rolling three year period. As reflected in the note, both Property Contracts and Environmental and Engineering recorded surpluses of £683k and £184k respectively during 2011/12. With both operations also recording surpluses in each of the previous two years the statutory requirement was achieved.

Provisions

Provisions are made where an event has taken place which creates a legal or constructive obligation that more likely than not requires some form of transfer of economic benefits or service and a reliable estimate can be made about the amount of the obligation. In 2011/12 two provisions are included in the financial statements in respect of equal pay and early retirement.

Equal Pay

The Council had a sum set aside of £2.778m at the start of the year as a provision to cover its potential exposure to equal pay claims from groups of staff. During the year £0.752m has been expended in settling claims. It has been assessed that the sum required to settle outstanding liabilities from these first wave of claims is £0.422m and the provision had been accordingly reduced to this level. However we are now starting to see potential second and third wave claims and so there is a risk that further provision may be required in the future. As a precaution, a sum of £0.450m has been earmarked within reserves at exhibit 4 above to cover this eventuality.

Early Retirement

During 2011/12, the Council continued to reduce costs by granting staff early retirement on grounds of efficiency where appropriate. At March 2012 there were two early retirements approved, but not yet implemented. The accounts include a provision of £0.072m for the committed costs associated with these severances.

Contingent Liabilities and assets

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. This arises where the council has a possible obligation but this will only be confirmed or otherwise by uncertain future events not entirely within the control of the council. This can also arise where a provision might otherwise have been made but it is not probable that resources will transfer or if the obligation cannot be measured reliably. In 2011/12, the note (note 45, page 87) discloses two contingent liabilities in respect of equal pay and the council housing kitchen contract. For the first time, in 2011/12 a contingent asset note (note 46, page 87) has been included in respect of the future benefit anticipated in respect of social services nursing home fees due to the Council.

Heritage Assets

International Financial Reporting Standards (IFRS) were introduced for the first time in 2010/11, but there was one standard that had been issued but not yet adopted last year, and that related to Heritage Assets. These assets are typically works of art, collections or regalia which were previously classified within other categories of Property, Plant and Equipment. The Code of Practice in 2011/12 now requires that these assets are separately reflected at current value.

A review of the Council's assets that fall into this new category has identified various art collections, public art, civic regalia, industrial artefacts and other items with a total value of £0.833m. These are now disclosed as a separate balance sheet entry within the Council's long term assets.

Outlook

In early 2012, the UK's slow economic recovery from the 2008/09 recession was halted and the UK returned to recession. UK growth is usually a good indicator of what will happen in Scotland as the economies are closely linked and of a similar make up if the impact of oil and gas extraction is excluded.

This is not a positive development when considered alongside the Eurozone financial crisis and ongoing reduction in UK public sector spending. In particular, the sustainability of flat cash settlements for local government in the future may prove difficult to sustain. Current projections in terms of the potential funding gap for future years are based on indicative levels of settlement notified by the Scottish Government.

For these reasons it is important to keep a medium to long term focus for financial planning and to ensure that robust processes and arrangements are in place for financial monitoring. The Council's budget strategy is underpinned by robust financial monitoring. Much work has already been invested in seeking to improve the financial and management information available within the Council. This will remain a priority throughout 2012/13 and in following years to ensure that timely, accurate and relevant financial monitoring is undertaken. This will allow potential slippage in planned savings activities to be identified at an early stage and remedial action to be implemented as required. The improved level of uncommitted council reserves will also help the Council smooth the impact of its drive to further reduce the Council's cost base over the next few years.

Acknowledgements

Finally, I wish to express my thanks to the elected members of the Council and colleagues in every Service, all of whose efforts in managing the resources available have contributed to the favourable financial position disclosed by the 2011/12 financial statements. I particularly want to thank those staff in the Accountancy Service whose efforts have contributed to the completion of these accounts, and members of the Governance panel who have provided the support for the preparation of the first Annual Governance Statement.



Nikki Bridle
Director of Finance and Corporate Services
28 September 2012

CLACKMANNANSHIRE COUNCIL

FINANCIAL STATEMENTS 2011/12

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. 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;.
- approve the Financial Statements.

The Director of Finance and Corporate Services' responsibilities

The Director of Finance and Corporate Services is responsible for the preparation of the Council's Financial Statements 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').

In preparing these Financial Statements, 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 local authority Code.

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.

The Financial Statements present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2012.

CLACKMANNANSHIRE COUNCIL

FINANCIAL STATEMENTS 2011/12

Annual Governance Statement

Introduction

Good governance is critical to the success of Clackmannanshire Council in achieving its strategic aims and objectives and being recognised as a Council which is growing in excellence. As a public body, it is important that we can demonstrate to the people of Clackmannanshire that as a Council we are:

- listening to them as regards their needs and aspirations.
- providing cost effective, quality services to meet those needs.
- achieving value for money.
- upholding high standards of conduct and behaviour in the way that we do business.
- working as effectively and as cost efficiently as we can against a backdrop of reducing budgets.
- seeking to continuously improve, and
- have effective and robust systems and processes in place to demonstrate this.

This Governance Statement provides assurance to the people of Clackmannanshire, our Elected Members, staff, partner agencies and other stakeholders that we have governance arrangements in place which have been evaluated and reviewed to ensure that they are robust, effective and aligned to our strategic objectives. Furthermore where areas of weakness have been identified, assurance is given that improvement plans have been put in place at corporate or service level to address the these concerns.

Scope of responsibility

Clackmannanshire Council has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure best value and ensure continuous improvement in terms of its service delivery. As a local authority, the Council is also required to carry out its business in accordance with the law and proper standards, and ensure that public money is used economically, efficiently, and effectively with due regard to the achievement of sustainability.

A comprehensive and robust governance framework is integral to the Council's ability to discharge these responsibilities. To be effective, governance must permeate all levels of the organisation. Whilst our leaders set the tone at the top, it must be owned by all Elected Members, management and staff, thus forming the intrinsic core and culture of the Council.

Clackmannanshire Council has in place governance arrangements which include a sound system of internal control, and are consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Framework Delivering Good Governance in Local Government. These arrangements are defined within the Council's Governance Strategy and Local Code of Governance.

It is important that we have adequate and appropriate arrangements in place to demonstrate to our stakeholders that Clackmannanshire Council is doing the right things for the right people, at the right time in an open, honest, inclusive and accountable way.

This Statement sets out how the Council has complied with the governance framework which has been in place in Clackmannanshire Council for the year ended 31 March 2012 and up to the date of approval of the annual Statement of Accounts. The Statement also complies with the requirements of Section 3.7 of the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

The purpose of the governance framework

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

A key element of effective governance is the management of risk to a reasonable level. As an organisation we manage risk through our system of internal control which constitutes a significant part of the governance framework.

Clackmannanshire Council's system of internal control is based on an ongoing process which is designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. As part of that process the likelihood of those risks being realised is evaluated and the impact (financial or otherwise) on the organisation's ability to achieve its objectives should these be realised must be estimated. The final part is to put in place appropriate measures to manage these potential risks efficiently, effectively and economically.

The Council's internal controls cannot eliminate all risk as regards achieving policies, aims and objectives. The impact of risk varies with the circumstances at any given time. Our system of internal control therefore can only provide reasonable and not absolute assurance of effectiveness.

The governance framework within the Council

To demonstrate its commitment to robust and effective governance, Clackmannanshire Council created a Governance Service comprising a number of key resource and compliance orientated functions with a new post of Governance Manager.

In April 2011, a joint report by the Governance Manager and the Service Manager for Revenues & Payments was submitted to the Scrutiny Committee giving an overview of a governance improvement plan to enable the Council to:-

- move from the position of assurance as regards the Statement of Internal Financial Control for the period 2009/10 to a Statement of Internal Control for 2010/11.
- move from the position of assurance as regards a Statement of Internal Control for 2010/11 to a much broader assurance framework which would enable the Leader and Chief Executive to issue a Governance Statement for the financial year 2011/12.

As part of that governance improvement plan a key priority for the Governance Manager for the financial year 2011/12 was to develop an overarching Governance Strategy to build upon our existing internal controls and embed good governance across the organisation, and to draw up a Local Code of Governance for Clackmannanshire Council.

Whilst most local authorities have a Local Code of Governance few councils, if any, have a written strategy document in place. In implementing the Governance Strategy the Council seeks to demonstrate a more holistic approach to its corporate governance arrangements in order to ensure consistency of application and improve effectiveness. The Governance Strategy provides the overarching blueprint to further develop and enhance the Council's governance framework and provide better assurance to its stakeholders that the Council is achieving its strategic objectives and delivering high quality cost effective and efficient services which best meet the needs of the people of Clackmannanshire.

In line with the plan outlined in the report to the Scrutiny Committee in April 2011, the governance arrangements were reviewed and :

- the Statement of Internal Control was issued for the financial year 2010/11.
- a Governance Strategy was developed, consulted upon and approved by Clackmannanshire Council in March 2012.
- the Local Code of Governance for Clackmannanshire Council was developed, consulted upon, approved and adopted in March 2012.

The Governance Strategy identified the following as key elements of good and effective governance:

- strong leadership, values and a culture committed to good public sector governance
- positive and constructive relationships with internal and external stakeholders
- effective risk management
- sound business planning and performance management
- effective and robust internal and external compliance and accountability
- information management and informed decision making
- regular monitoring, evaluation and review of governance arrangements.

It also established a Governance Panel to provide professional and technical support and guidance to Senior Managers and a quality assurance role as to the evidence provided by Heads of Service and Service Management Teams to enable the Council's Leader and Chief Executive to sign off this Annual Governance Statement.

Clackmannanshire Council's Local Code of Governance articulates the vision, aims, objectives, actions, principles and values to which the Council will adhere to in order to ensure that effective governance is embedded across the organisation at every level. The terms of the Code reflect the key elements of the Governance Strategy together with the core and supporting principles of good governance as recommended in the CIPFA/SOLACE framework. When reviewing the effectiveness of our governance arrangements therefore we also need to consider how effective we are in respect of the following:

- having a clear vision which is outcome focused which is recognised and understood by our stakeholders
- our community engagement
- the partnership working between Elected Members and Officers
- developing and maintaining a culture that is committed to good governance and ensuring that we uphold the appropriate standards of behavior rightly demanded of public servants
- having the right systems, processes and tools in place to make decisions achieve our objectives
- ensuring that our Elected Members and staff have the skills, knowledge, experience and resources to perform well in their roles
- making sure that our Elected Members and staff are properly accountable.

Assurance Process

As stated above in the last year Clackmannanshire Council has made the transition from providing assurance as regards the systems and processes in place to provide adequate and appropriate financial control to a statement of assurance encompassing financial and non financial controls in place within the organisation.

In implementing the Council's approved Governance Strategy, a new process of assurance has been implemented in order to provide the assurance as regards governance arrangements required to enable the Leader of the Council and Chief Executive to provide a Governance Statement

The process built upon the existing control environment and introduced the element of challenge sessions to the Assurance Certification process. The purpose of the challenge sessions was to quality assure the evidence of compliance provided by Directors, Heads of Service and Service Management Teams which underpins the Certificates of Assurance.

The challenge came from the Governance Panel, chaired by the Governance Manager and comprising senior and suitably qualified officers to provide advice and scrutiny in the following areas:

- law & compliance
- financial management
- procurement
- human resource management
- community engagement
- performance management
- business planning.

Each challenge panel also included an element of peer review from a service and financial management perspective.

As stated above the Governance Strategy sought to take a more holistic approach to measuring the effectiveness of the Council's governance framework. It was recognised by the Governance Manager that the organisation was required to provide evidence to demonstrate compliance for a number of purposes. In order to ensure that the organisation was not duplicating effort and to provide a more comprehensive "snapshot" of the effectiveness of our governance arrangements, a comprehensive questionnaire was designed to encompass the key elements of the strategy and Local Code, the core CIPFA self assessment requirements and the requirements to produce the Statement of Internal Control.

Each Service Management team was required to complete the comprehensive questionnaire and provide evidence to support their responses. Within the challenge session, Service Management Teams were required to demonstrate not only that systems and processes were in place but the effectiveness of these systems in terms of achieving desired outcomes. Where areas of weakness were identified these were evaluated in terms of risk and the appropriate actions will be incorporated into either a service-specific governance improvement plan or the Corporate Governance Improvement Plan which supports the preparation of this statement.

Review of effectiveness

The Governance Panel challenge sessions provide the evidence which underpin the following findings on the effectiveness of the Council's governance arrangements. The Panel has also highlighted a range of improvement actions. Many of these relate to individual services. However, some corporate improvement actions have also been identified and these are highlighted in the Statement itself.

The Council's Single Outcome Agreement (SOA) sets out the key priorities for the Council and its community partners. The Council's Corporate Plan is due for review and provides the Council's new political administration a timeous opportunity to clarify and convey to the people of Clackmannanshire their particular priorities and set the direction for the next five years.

The Council continues to develop its business planning and performance management framework which allows for ongoing review and evaluation of success in achieving its strategic aims and objectives. Evidence presented demonstrates that performance is measured at Corporate, Service and Team level. Results from the most recent staff survey indicate that there is increased involvement in individual Personal Review & Development (PRD) sessions which seek to align personal development with achieving overarching corporate aims. The Covalent system continues to be rolled out across the organisation which shall further improve performance monitoring.

Parts of the governance framework are defined within the following key documents :

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

These documents are regularly reviewed to ensure that they are fit for purpose and reflect the business need and external compliance requirements of the Council.

The Council has the following key strategies in place to support delivery of the objectives of the Council's SOA :

- Governance Strategy
- People Strategy
- Financial Strategy
- Customer Service Strategy
- Information and Communication Strategy
- Risk Management Strategy.

The Council defined its Risk Management Strategy in 2009. Key business risks are reflected in the Council's Corporate Risk Register and the identification and evaluation of risk should be an integral part of the business planning process. The assurance process demonstrated that risk registers were in place at service level but the management of risk can be improved upon and this has been identified as a corporate improvement action.

The People Strategy has been successful in achieving the majority of its objectives. The changing business needs of the organisation have required significant changes to organisational structure and the roles and remits of staff. A review of the People Strategy will be undertaken to ensure that its key objectives are aligned with the organisation's current objectives and priorities

The Clackmannanshire Improvement Model which is the organisation's framework for excellence continues to be embedded across all services. It is the intention that this framework will be developed to dovetail with the assurance framework to create a more holistic and comprehensive approach to ensuring robust and effective governance, continuously improving performance and achieving excellence.

The Council's Procurement Capability Assessment Score increased by 20% demonstrating that improvements are aligned with the key objectives of the Procurement Strategy. The assurance process highlighted that the fundamental elements of the Procurement Strategy are not yet fully embedded across the organisation. As this activity remains a risk for the Council, improvement actions in relation to this activity will be incorporated in the Corporate Governance Improvement Plan.

The Assurance process demonstrated some risks in relation to the shared service arrangements for both Education and Social Services. In the main, these risks flowed from the fact that the partner organisations have distinct governance arrangements which creates complexity and practical challenges in respect of the provision of appropriate local technical and professional support and the related mechanisms for managing, controlling and mitigating risk. Governance improvement measures will be incorporated in Service Plans for both Education and Social Services and the issue of risk will continue to be assessed both corporately and through the Shared Service Programme Board and Steering Group.

Statement

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework including the system of internal control. This review is informed by different assurance sources including :

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

A specific annual assurance has not been provided by Internal Audit for 2011/12 due to capacity issues within the team, however work has still been completed during the year which has informed the process of assurance. Progress reports on a number of audit reports were reported to the Scrutiny Committee. Furthermore a comprehensive self assessment has been facilitated by Internal Audit against CIPFA's Six Principles in Delivering Good Governance in Local Government and in the review of the improvement plan flowing from the Council Statement of Internal Control 2010/11.

Each Head of Service who has responsibility within the Scheme of Delegation for the development and maintenance of the system of internal control has provided me with assurance that the internal controls and governance arrangements within their service are effective and have been reviewed.

I have been advised by the Director of Finance and Corporate Services that the financial arrangements in place conform with the relevant CIPFA requirements.

Governance Panel assurance has been obtained as to the appropriateness and robustness of arrangements for monitoring corporate and service improvement plans. Progress is routinely monitored using the Council's Covalent system.

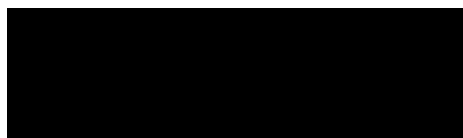
The outcome of the review, and the implications as regards the effectiveness of the governance arrangements, provide reasonable assurance on the effectiveness of the Council's governance arrangements. A Governance Improvement Plan is in place to address weaknesses at both Service and Corporate level which will ensure that adequate and appropriate systems and processes are in place to improve the effectiveness of our governance arrangements.

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

- a review of the Risk Management Strategy and the embedding of a more consistent, mature approach to the management and control of risk across all levels of the organisation
- workforce planning to ensure that our human resources are aligned to the current business needs of the organisation
- procurement capability scoring and the embedding of a corporate approach to procurement
- introduction of Member/Officer protocols to provide clarity as to roles, remits, responsibilities and accountabilities
- development of a corporate communication strategy
- development of the internal audit function.



Elaine McPherson
Chief Executive
28 September 2012



Councillor Gary Womersley
Leader Of the Council
28 September 2012

CLACKMANNANSHIRE COUNCIL FINANCIAL STATEMENTS 2011/12 Remuneration Report

General

All information disclosed in the tables in this Remuneration Report are audited by Deloitte LLP. The other sections of the Remuneration Report will be reviewed by Deloitte LLP. The results presented in the eight tables comprising the Clackmannanshire Council's remuneration report for 2011/12 reflect the following contextual factors:

- The administration of the Council changed during 2011/12, with effect from 6 January 2012. This is reflected in Table 1 and the remuneration for the current and former Leader of the Council, Civic Head, and Senior Councillors represents a part year/pro rata salary payment.
- The Council's management restructuring and corporate service redesign process is ongoing and the comparison of post-holders between the current and prior year is reflected in Table 3.
- Table 3 also shows the departure of former Chief Officers in 2010/11. The report reflects the pro rata salary and severance payments as appropriate.
- With the transition to the new management structure, not all senior officers had elected to transfer their accrued pension benefits. This position is also reflected in Table 7.

Remuneration Arrangements

Councillors

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

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

The salary that is paid to the Leader of the Council is set out in the Regulations. For 2011/12 the salary of the Leader of Clackmannanshire Council is £27,058. The regulations permit the council to remunerate one Civic Head. The regulations set out the maximum salary that may be paid to that Civic Head. Council policy is that the maximum remuneration is 75% of the sum payable to the Leader which for 2011/12 amounts to £20,294.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its Senior Councillors shall not exceed £146,112. The Council is able to exercise flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. In 2011/12, the Council policy was to recognise 8 Senior Councillors with positions of significant responsibility. These are the Depute Leader, 5 Portfolio Holders, and the Conveners of Scrutiny and Regulatory Committees.

During the financial year Clackmannanshire Council underwent a change of administration and the majority of the portfolios and civic roles were transferred to new post holders on 6 January 2012. Although the Council retained the structure of 8 Senior Councillors, these posts were held by 13 individuals over the 12 month period. The remuneration paid to these Councillors totalled £151,302. This includes £5,167 paid to G Matchett, Convener of Police Board and £1,000 to E Carrick for serving on the Association for Public Service Excellence (APSE). These amounts are recoverable from the respective Boards. The net cost to Clackmannanshire Council in relation to Senior Councillors is £145,135. This complies with current regulations.

The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme.

The Scheme which encompasses the salaries of all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the full Council on 21st June 2007, and details are available on the Council's web site www.clacksweb.org.uk under 'Elected Members' Remuneration'.

Joint Boards

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as a Police Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convener or Vice-Convener being a member of the Local Government Pension Service. Clackmannanshire Council made such payments in 2011/12 and these are reflected in tables 1 and 6 and supporting notes as required.

The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convener or Vice-Convener of a Joint Board.

Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Clackmannanshire Council for the period 2008 to 2011. An appointment Committee was set up to appoint Directors and Heads of Service under restructure, the Committee was formed by Councillors from all parties. Under the Scheme of Delegation the Chief Executive set the salary for Directors and Heads of Service from the National Scales in agreement with the Appointments Committee. In reaching its decisions, the Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.

Senior employees do not receive any other benefits.

Disclosure of Remuneration for Relevant Persons

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

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

Table 1

Position	Post Holder	Taxable Expenses £	Benefit other than in cash £	Total Remuneration 2011-12	Total Remuneration 2010-11 £
Leader of the Council (1 April to 26 September 2010)	Janet Cadenhead	0	No	0	12,973
Leader of the Council (27 September 2010 to 5 January 2012)	Sam Ovens	0	No	20,757	14,085
Leader of the Council (from 6 January 2012)	Gary Womersley	0	No	6,301	0
Leader of the Council		0		27,058	27,058
Provost (until 5 January 2012)	Derek Stewart	0	No	15,568	20,294
Provost (from 6 January 2012)	Tina Murphy	0	No	4,726	0
Provost		0		20,294	20,294
Portfolio Holder - Regeneration (1 April to 26 September 2010)	Sam Ovens	0	No	0	8,757
Portfolio Holder - Regeneration (27 September 2010 to 5 January 2012)	Janet Cadenhead	0	No	13,948	9,507
Portfolio Holder - Regeneration (from 6 January 2012)	Irene Hamilton	0	No	4,345	0
Portfolio Holder - Scrutiny & Convener of Scrutiny	Donald Balsillie	0	No	18,264	18,264
Convener of Regulatory Committee	Alastair Campbell	0	No	18,264	18,264
Convener of Licensing Board	Walter McAdam	0	No	18,264	18,264
Portfolio Holder - Sustainability	Eddie Carrick	0	No	19,264	19,264
Portfolio Holder - Partnership (until 5 January 2012)	Kenneth Earle	0	No	13,948	18,264
Portfolio Holder - Partnership (from 6 January 2012)	Craig Holden	0	No	4,345	0
Depute Leader (until 5 January 2012)	Robert McGill	0	No	13,948	18,264
Depute Provost (from 6 January 2012)	Janis Paterson	0	No	3,189	0
Portfolio Holder - Inclusion (until 5 January 2012) & Convener of Joint Police Board	George Matchett	0	No	19,178	24,353
Depute Leader, Portfolio Holder Inclusion (from 6 January 2012)	Mark English	0	No	4,345	0
Senior Councillors		0		151,302	153,201
Valuation Board - Vice Convener	Henry McLaren	0	No	19,279	19,279
				217,933	219,832

Notes:

1. The Council underwent a change of administration on 6 January 2012. The disclosure reflects the increased number of serving Councillors who have held a Civic/Senior Councillor role during the financial year.
2. Payments to Senior Councillors are inclusive of additional payments made by the Council in respect of Members serving on Joint Boards. These are payable monthly by way of salary/allowance and amount to £6,167 for the current financial year.
3. The amount recharged to the Valuation Joint Board for 2011/12 was £2,887 (2010/11 £3,153).
4. Councillors Cadenhead and McAdam received remuneration from NHS Forth Valley totalling £7,074 for serving on the regional Health Board (2010/11 Cllrs Cadenhead and Ovens £8,008). As this is paid directly, not through the Council, the sums are not included above but are disclosed in the published 2011/12 Elected Members' Remuneration, Allowances and Expenses document. This can be viewed on the Council web-site at <http://www.clacksweb.org.uk/document/3676.pdf>.

Remuneration paid to Councillors

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

Leader of Council	1
Provost/Civic Head	1
Senior Councillors	8 (1 of whom has Joint Board responsibility as Convener of Police Board)
Councillors	7
Joint Board Vice Convener	1

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

Table 2

Type of Remuneration	2011/12 £	2010/11 £
Salaries	334,023	341,640
Employer's NIC and Pension	70,056	70,979
Expenses	11,421	11,836
Total	415,500	424,455

The annual return of Councillors' salaries and expenses for 2011/12 is available for any member of the public to view at all Council libraries and public offices during normal working hours and is also available on the Council's web site www.clacksweb.org.uk under 'Remuneration to Elected members'.

The salaries figure above excludes £7,074 paid directly to Councillors in respect of serving on NHS Forth Valley Health Board (2010/11 £8,008).

As a result of re-aligning the payroll periods, the figures for 2010/11 covered an accounting period of 375 days.

Remuneration of Senior Employees of the Council

Table 3

Name and Post Title	Salary, fees and allowances	Bonus	Taxable Expenses	Compensation for loss of Employment	Benefits other than in cash	Total Remuneration 2011-12	Total Remuneration 2010-11
	£	£	£	£	£	£	£
Angela Leitch, Chief Executive (until 13 September 2011)	43,799	0	0	0	0	43,799	97,095
Angela Leitch, Returning Officer (until 13 September 2011) See Note 5	5,000	0	0	0	0	5,000	3,350
Elaine McPherson, Chief Executive (from 26 September 2011)	49,877	0	0	0	0	49,877	68,583
Elaine McPherson, Depute Returning Officer (from 26 September 2011)	500	0	0	0	0	500	0
Nikki Bridle, Director of Finance and Corporate Services (from 1 July 2010)	84,045	0	0	0	0	84,045	63,091
Gary Dallas, Director of Services to Communities	84,045	0	0	0	0	84,045	84,045
Stuart Crickmar, Head of Strategy & Customer Services (from 1 January 2012)	17,146	0	0	0	0	17,146	0
Elaine McPherson, Head of Strategy & Customer Services (until 25 September 2011)	36,796	0	0	0	0	36,796	68,583
Deirdre Cilliers, Head of Social Services, Clackmannanshire and Stirling Councils	78,522	0	0	0	0	78,522	68,583
Stephen Crawford, Head of Facilities Management (from 9 August 2010)	68,583	0	0	0	0	68,583	44,156
John Gillespie, Head of Community & Regulatory Services	68,583	0	0	0	0	68,583	68,583
Belinda Greer - Head of Education, Clackmannanshire and Stirling Councils	87,231	0	0	0	0	87,231	77,743
Lesley Robertson, Acting Head of Education (from May 2010 to February 2011)	0	0	0	0	0	0	59,940
John Stewart, Head of Property Services (until 30 June 2010)	0	0	0	0	0	0	58,095
Brian Hutchison, Head of HR (until 31 March 2010)	0	0	0	0	0	0	49,403
Peter Broadfoot, Head of Legal (until 6 April 2010)	0	0	0	0	0	0	92,307
Jim Goodall, Head of Education	0	0	0	0	0	0	8,080
Total	624,127	0	0	0	0	624,127	843,054

Note:

1. Elaine McPherson was appointed Chief Executive from 26 September 2011. The FTE of the post is £97,095
2. Stuart Crickmar was appointed Head of Strategy & Customer Services on 1 January 2012. The FTE of the post is £68,583
3. The senior employees included in the table include all those employees who have responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (including activities involving the expenditure of money) during the year to which the Report relates whether solely or collectively with other persons; or who hold a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989
4. The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. This was applied to J. Stewart, B. Hutchison and P. Broadfoot in the Financial Year ended 31 March 2011.
5. Angela Leitch and Elaine McPherson received payments in relation to the administration of the 2011 Scottish Parliamentary Elections and the Referendum on Voting Reform. These payments amounted to £5,500 and included payments for duties as Counting Officers which were not applicable in 2010/11. These payments were recoverable from Scottish Government.
6. In line with a national agreement between Scottish Joint Negotiating Committee (SJNC) and Association of Local Authority Chief Executives (ALACE), both Chief Executives agreed to forego their annual increases and continue to be remunerated at below National Scale. The salary remains at £97,095 compared with the National Scale rate applicable for the Council of £99,522.
7. With effect from 1st April 2011, Clackmannanshire and Stirling Councils agreed to the joint delivery of Social Services and Education. Clackmannanshire Council became the lead authority for Social Services with Deirdre Cilliers (former Head of Social Policy, Clackmannanshire Council) taking up a joint management role across both Councils. Stirling Council became the lead authority for Education with Belinda Greer (former Head of Education, Stirling Council) also taking up a joint management role across both Councils.
The total remuneration for 2010/11 shown above for Deirdre Cilliers and Belinda Greer arose from their respective former roles as Head of Social Policy (Clackmannanshire Council) and Head of Education (Stirling Council). The total remuneration figures for 2011/12 for Deirdre Cilliers and Belinda Greer represents the position prior to making joint management arrangement allocations between Stirling and Clackmannanshire Councils. Clackmannanshire Council's share of the total remuneration figures for Deirdre Cilliers and Belinda Greer arising from their joint management responsibilities is £39,261 and £41,157 and respectively.

General Disclosure by Pay Band

A number of employees left the Council prior to 31 March 2012 under the early retirement/voluntary severance scheme. Some of these employees were entitled to lump sums and redundancy payments which have been included in the calculation for the pay banding. The figures in the shaded column show the comparative figures if the additional payments were excluded.

Table 4

Remuneration band	Number of Employees			
	2011/12		2010/11	
£50,000 - £54,999	19	19	17	16
£55,000 - £59,999	10	9	11	10
£60,000 - £64,999	2	1	4	3
£65,000 - £69,999	2	2	7	6
£70,000 - £74,999	2	2	0	0
£75,000 - £79,999	2	2	2	1
£80,000 - £84,999	2	2	0	0
£85,000 - £89,999	1	1	1	1
£90,000 - £94,999	0	0	1	0
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	0	1	1
Total	40	38	44	38

Pension Benefits

Pension benefits for Councillors and local government employees are provided through the Local Government Pension Scheme (LGPS)

Councillors' pension benefits are based on career average pay. The Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees this is a final salary scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for both Councillors and employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees.

Although the contribution rates for 2011/12 are unchanged, from 2010/11 the earnings bandings to which each rate applies have changed as outlined below.

Table 5

Whole time pay 2011/12 (2010/11)	Contribution rate 2011/12 *	Contribution rate 2010/11
On earnings up to and including £18,500 (£18,000)	5.5%	5.5%
On earning above £18,500 and up to £22,600 (£18,000/£22000)	7.25%	7.25%
On earning above £22,600 and up to £39,000 (£22,000/£30,000)	8.5%	8.5%
On earning above £30,900 and up to £41,200 (£30,000/£40000)	9.5%	9.5%
On earning above £41,200 (£40,000)	12%	12%

* Source: Scottish Public Pensions Agency, Guidance Note Version 5 (Annex C)

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to a limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service)

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

In those cases where members have transferred pension entitlements from previous employments, the pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

Senior Councillors

Table 6

The pension entitlements for Senior Councillors who have elected to join the pension scheme for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Council to each Senior Councillors' pension during the year.

Name and Post Title	In-Year pension Contributions		Accrued pension Benefits	
	For year to 31 March 2012	For year to 31 March 2011	As at 31 March 2012	Difference from 31 March 2011
	£	£	£000	£000
Gary Womersley Leader of the Council (from 6 January 2012)	3,554	-	Pension 1 Lump Sum 1	0 0
Tina Murphy Provost (from 6 January 2012)	3,248	-	Pension 1 Lump Sum 1	0 0
Donald Balsillie Convener of Pensions Committee (from 6 January 2012)	3,442	3,240	Pension 1 Lump Sum 1	0 0
Alastair Campbell Convener of Planning Committee	3,442	3,240	Pension 1 Lump Sum 1	(1) (1)
Eddie Carrick Portfolio Holder - Sustainability (until 5 January 2012)	3,442	3,251	Pension 2 Lump Sum 1	1 0
Janet Cadenhead Portfolio Holder - Regeneration (from 23 September 2010 until 5 January 2012) (Leader of the Council 1 April to 22 September 2010)	3,355	3,958	Pension 2 Lump Sum 2	0 0
Kenneth Earle Portfolio Holder - Partnership (until 5 January 2012)	3,355	3,240	Pension 1	0
George Matchett Portfolio Holder - Inclusion (from 6 January 2012), Police Joint Board	4,589	4,320	Pension 2 Lump Sum 2	1 0
Robert McGill Depute Leader of the Council (until 5 January 2012)	3,355	3,240	Pension 2 Lump Sum 4	0 1
Mark English Depute Leader of the Council/Portfolio Holder - Inclusion (from 6 January 2012)	3,156	-	Pension 1 Lump Sum 1	0 0
Irene Hamilton Portfolio Holder - Regeneration (from 6 January 2012)	3,156	-	Pension 1 Lump Sum 1	0 0
Janis Paterson Depute Provost (from 6 January 2012)	3,151	-	Pension 1 Lump Sum 1	0 0
Total	41,245	24,489	32	1

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service, and not just their current appointment.

Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2012 are shown in the table below, together with the contribution made by the Council to each Senior Employees' pension during the year.

Table 7

Name and Post Title	In-Year pension Contributions		Accrued pension benefits	
	For Year to 31 March 2012	For year to 31 March 2011	As at 31 March 2012	Difference from 31 March 2011
	£	£	£000	£000
Angela Leitch, Chief Executive (to 13 September 2011)	9,116	17,224	Pension 4 Lump Sum 1	1 0
Angela Leitch, Executive (to 13 September 2011) Returning Officer	950	620		
Elaine McPherson, Chief Executive (from 26 September 2011) Head of Strategy & Customer Services (to 25 September 2011)	16,365	11,582	Pension 28 Lump Sum 70	8 17
Nikki Bridle, Director of Finance & Corporate Services (from 1 July 2010)	15,837	11,800	Pension 21 Lump Sum 51	20 51
Gary Dallas, Director of Services to Communities	15,837	14,943	Pension 31 Lump Sum 79	2 (1)
Stuart Crickmar, Head of Strategy & Customer Services (from 1 January 2012)	9,882	0*	Pension 13 Lump Sum 33	2 4
Deirdre Cilliers, Joint Head of Social Services, Clackmannanshire and Stirling Councils.	14,919	12,194	Pension 20 Lump Sum 49	4 6
Stephen Crawford, Head of Facilities Management (from 9 August 2010)	12,924	8,273	Pension 12 Lump Sum 27	1 0
John Gillespie, Head of Community & Regulatory Services	12,924	12,194	Pension 26 Lump Sum 66	1 (1)
Belinda Greer - Joint Head of Education, Clackmannanshire and Stirling Councils.	15,624	14,300	Pension 38	4
Lesley Robertson, Acting Head of Education (until February 2011)	0	8,875	-	-
John Stewart, Head of Property Services (left 30 June 2011) (91 days)	0	2,421	-	-
Peter Broadfoot, Head of Legal & Admin (left 6 April 2010) (6 days)	0	439	-	-
Jim Goodall, Head of Education (left 13 May 2010) (43 days)	0	896	-	-
Total	124,378	115,761	569	119

Note:

1. All Senior Employees shown in the tables above are with the exception of Lesley Robertson are members of the Local Government Pension Scheme (LGPS). Lesley Robertson is a member of the Scottish Teachers Superannuation Scheme (STSS).

2. Where employees have joined the Council and transferred previous employment pension benefits into the Falkirk Pension Fund, the pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service and not just their current appointment.

3. Where staff are not in employment with Clackmannanshire Council at 31 March 2012 or are no longer a relevant senior employee at this date, there is no increase in accrued pension benefit attributable.

4. The in-year pension contributions and accrued pension benefits for 2010/11 for both Deirdre Cilliers and Belinda Greer arose from their respective former roles as Head of Social Policy (Clackmannanshire Council) and Head of Education (Stirling Council). The in-year pension contributions and accrued pension benefits for 2011/12 for both Deirdre Cilliers and Belinda Greer and represents the position prior to making joint management arrangement allocations between Clackmannanshire and Stirling Councils. Stirling Council's share of in-year pension contributions made on behalf of Deirdre Cilliers and Belinda Greer during 2011/12 arising from their joint management responsibilities is £7,460 and £7,812 respectively. Stirling Council's share of pension benefits accrued by Deirdre Cilliers and Belinda Greer during 2011/12 arising from their joint management responsibilities is £2,000 and £2,000 respectively.

Termination Benefits

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

In implementing a planned rationalisation of the Council's services, the Council agreed the voluntary termination of the contracts of a number of employees in 2011/12 and summary information regarding the number and costs of exit packages is shown below.

Disclosed costs include where applicable payments in lieu of notice, redundancy and pension costs in relation to lump sum, strain payments and capitalised added years. Any early terminations which might arise on the grounds of health or dismissal fall outside the regulatory disclosure requirement and would not be disclosed.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) [(b)+(c)] Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
							£	£
£0 - £20,000	0	0	39	53	39	53	230,948	399,267
£20,001 - £40,000	0	0	10	16	10	16	275,682	442,822
£40,001 - £60,000	0	0	3	4	3	4	135,836	208,743
£60,001 - £80,000	0	0	0	6	0	6	0	429,960
£80,001 - £100,000	0	0	2	3	2	3	173,506	279,046
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	0	0	54	82	54	82	815,972	1,759,838

CLACKMANNANSHIRE COUNCIL FINANCIAL STATEMENTS 2011/12

The Financial Statements

The accounting statements that follow and their purpose consist of:

Core Financial Statements

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce taxation) and unusable reserves.

The **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The statement therefore includes items such as depreciation and pension adjustments which are financed from unusable reserves.

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

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

Supplementary Financial Statements

The **Housing Revenue Account (HRA)** shows in more detail the income and expenditure of the HRA services included within the core Comprehensive Income and Expenditure Statement.

The **Council Tax Income Account** shows the gross and net income from council tax, together with details of the number of properties on which council tax is levied, and the charge per property.

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

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

Group Financial Statements

The **Group Financial Statements** combine the income and expenditure and balance sheet figures for the Council as a whole with those of separate companies and bodies in which the Council has a significant influence.

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2010(#)	7,966	4,262	735	710	13,673	37,154	50,827
	=====	=====	=====	===	=====	=====	=====
<u>Movement in Reserves during 2010/11</u>							
Surplus or (deficit) on provision of Services	23,100	(1,560)	-	-	21,540	-	21,540
Other Comprehensive Expenditure and Income	-	-	-	-	-	24,573	24,573
Total Comprehensive Expenditure and Income	23,100	(1,560)	-	-	21,540	24,573	46,113
Adjustments between accounting basis & funding basis under regulations (Note6)	(23,326)	873	735	-	(21,718)	21,718	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(226)	(687)	735	-	(178)	46,291	46,113
Transfers to/from Earmarked Reserves (Note 7)	1,389	-	(1,470)	81	-	-	-
Increase/(Decrease) in 2010/11	1,163	(687)	(735)	81	(178)	46,291	46,113
Balance at 31 March 2011 carried forward	9,129	3,575	-	791	13,495	83,445	96,940
<u>Movement in Reserves during 2011/12</u>							
Surplus or (deficit) on provision of Services	3,282	(1,273)	-	-	2,009	-	2,009
Other Comprehensive Expenditure and Income	-	-	-	-	-	(13,295)	(13,295)
Total Comprehensive Expenditure and Income	3,282	(1,273)	-	-	2,009	(13,295)	(11,286)
Adjustments between accounting basis & funding basis under regulations (Note 6)	659	1,878	4,609	-	7,146	(7,146)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	3,941	605	4,609	-	9,155	(20,441)	(11,286)
Transfers to/from Earmarked Reserves (Note 7)	(3)	-	-	3	-	-	-
Increase/(Decrease) in Year	3,938	605	4,609	3	9,155	(20,441)	(11,286)
Balance at 31 March 2012 carried forward	13,067	4,180	4,609	794	22,650	63,004	85,654

see note 50 (page 92) for details of restatement of opening balance in respect of Heritage Assets

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Comprehensive Income and Expenditure Statement

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

2010/2011			2011/2012		
Gross Expend £000	Gross Income £000	Net Expend £000	Gross Expend £000	Gross Income £000	Net Expend £000
2,420	893	1,527	1,839	604	1,235
8,070	1,426	6,644	8,038	1,873	6,165
53,165	2,044	51,121	49,543	1,568	47,975
3,887	227	3,660	3,596	102	3,494
37,162	34,304	2,858	39,279	36,446	2,833
4,720	2,169	2,551	3,047	838	2,209
36,495	9,361	27,134	35,923	9,545	26,378
6,703	1,348	5,355	6,745	993	5,752
4,132	196	3,936	4,149	128	4,021
2,741	-	2,741	2,658	-	2,658
2,189	-	2,189	2,105	-	2,105
<u>(20,583)</u>	-	<u>(20,583)</u>	<u>837</u>	-	<u>837</u>
141,101	51,968	89,133	157,759	52,097	105,662
			Cost of Services		
	(812)		Other Operating Expenditure (Note 8)		2,426
	11,813		Financing and Investment Income and Expenditure (Note 9)		10,279
	<u>(121,674)</u>		Taxation and Non-Specific grant Income (Note 10)		<u>(120,376)</u>
	(21,540)		(Surplus) or Deficit on Provision of Services (Note 11)		(2,009)
	(21)		(Surplus) or deficit on revaluation of fixed assets (Note 28)		(133)
	<u>(24,552)</u>		Actuarial (gains) losses on pension assets/liabilities (Note 28)		<u>13,428</u>
	(24,573)		Other Comprehensive Income and Expenditure		13,295
	(46,113)		Total Comprehensive Income and Expenditure		11,285

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2010	31 March 2011		31 March 2012
Restated #	Restated #		
£000	£000		£000
317,112	306,318	Property, Plant & Equipment	12 301,908
726	767	Heritage Assets	13 833
6,239	5,759	Investment Properties	14 5,383
524	455	Intangible Assets	15 404
968	1,426	Long-term Investments	16 6,190
13	12	Long-term Debtors	17 4
325,582	314,737	Long-term Assets	314,722
8,916	15,514	Assets Held for Sale	18 4,639
440	471	Inventories	19 524
12,022	10,637	Short Term Debtors	20 9,836
-	-	Short Term Investments	21 10,000
9,291	17,460	Cash and Cash Equivalentents	21 20,868
30,669	44,082	Current Assets	45,867
(2,607)	(1,758)	Short Term Borrowing	24 (6,463)
(18,513)	(19,948)	Short Term Creditors	22 (22,035)
(570)	(826)	Provisions	23 (72)
(21,690)	(22,532)	Current Liabilities	(28,570)
(2,528)	(2,778)	Provisions	23 (422)
(125,513)	(125,524)	Long-term Borrowing	24 (121,542)
(155,693)	(111,045)	Other Long-term Liabilities	25 (124,401)
(283,734)	(239,347)	Long-term Liabilities	(246,365)
50,827	96,940	Net Assets	85,654
13,673	13,495	Usable Reserves	27 22,650
37,154	83,445	Unusable Reserves	28 63,004
50,827	96,940	Total Reserves	85,654

see note 50 (page 92) for details of restatement of opening balance in respect of Heritage Assets

Nikki Bridle
Director of Finance and Corporate Services
28 September 2012

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2010/11		2011/12
£000		£000
21,540	Net surplus on the provision of services	2,009
(1,343)	Adjust net surplus on the provision of services for non cash movements	24,647
(5,886)	Adjust for items in the net surplus on the provision of services that are investing and financing activities	(10,587)
14,311	Net cash flows from Operating Activities (Note 29)	16,069
(4,074)	Investing activities (Note 30)	(12,088)
(2,068)	Financing Activities (Note 31)	(573)
8,169	Net increase in cash and cash equivalents	3,408
9,291	Cash and Cash equivalents at the beginning of the reporting year (Note 21)	17,460
17,460	Cash and cash equivalents at the end of the reporting year (Note 21)	20,868

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Notes to the Financial Statements

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

Index of Notes		Page
Note 1	Accounting Policies	37
Note 2	Accounting Standards	50
Note 3	Critical Judgements in Applying Accounting Policies	50
Note 4	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	51
Note 5	Events After the Reporting Period	52
Note 6	Adjustments between Accounting Basis and Funding Basis under Regulations	52
Note 7	Transfers to/from Earmarked Reserves	55
Note 8	Other Operating Expenditure	56
Note 9	Financing and Investment Income and Expenditure	56
Note 10	Taxation and Non Specific Grant Income	56
Note 11	Amounts Reported for Resource Allocation Decisions	57
Note 12	Property, Plant and Equipment	59
Note 13	Heritage Assets	61
Note 14	Investment Properties	63
Note 15	Intangible Assets	64
Note 16	Long-term Investments	64
Note 17	Long-term Debtors	65
Note 18	Assets Held for Sale	65
Note 19	Inventories	66
Note 20	Short Term Debtors	66
Note 21	Short Term Investments and Cash and Cash Equivalents	66
Note 22	Short Term Creditors	67
Note 23	Provisions	67
Note 24	Borrowings	68
Note 25	Other Long-term Liabilities	68

Note 26	Financial Instruments	69
Note 27	Usable Reserves	71
Note 28	Unusable Reserves	72
Note 29	Cash Flow Statement – Operating Activities	75
Note 30	Cash Flow Statement – Investing Activities	75
Note 31	Cash Flow Statement – Financing Activities	75
Note 32	Trading Operations	76
Note 33	Agency Income and Expenditure	76
Note 34	Pooled Budgets	77
Note 35	External Audit Costs	77
Note 36	Grant Income	77
Note 37	Related Parties	78
Note 38	Capital Expenditure and Capital Financing	79
Note 39	Leases	79
Note 40	Private Finance Initiatives and Similar Contracts	81
Note 41	Impairment Losses	81
Note 42	Termination Benefits	82
Note 43	Pensions Schemes Accounted for as Defined Contribution Schemes	82
Note 44	Defined Benefit Pension Schemes	82
Note 45	Contingent Liabilities	87
Note 46	Contingent Assets	87
Note 47	Nature and Extent of Risks Arising From Financial Instruments	87
Note 48	Heritage Assets: Five-Year Summary of Transactions	90
Note 49	Heritage Assets: Further information on the Portfolio of Assets	90
Note 50	Heritage Assets: Change in Accounting policy Required by the Code of Practice for Local Authority Accounting in the United Kingdom	92
Note 51	Trust Funds	94

Note 1 - Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) Cash and Cash Equivalents

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

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

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

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

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

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

e) Charges to Revenue for Non-Current Assets

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

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

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

f) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Falkirk pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the gross redemption yield on the iBoxx Sterling Corporate 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 result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited/credited to the Pensions Reserve
 - contributions paid to the Falkirk pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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.

g) Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, Scottish Government regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified 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 recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the 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 Comprehensive Income and Expenditure Statement 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 Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

i) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

Business Improvement Districts

Two Business Improvement District (BID) schemes apply in Alloa Town Centre and Business Parks respectively within the Council. The schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred.

j) Heritage Assets

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

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

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

Recognised in Balance Sheet at Valuation

Art Collection
Public Art (statues, glassworks & mosaics)
Civic Regalia
Museum collections (industrial equipment & ephemera)

Not recognised in Balance Sheet

War Memorials
Listed Buildings

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

Heritage assets are not subject to depreciation.

k) Intangible Assets

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

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and(for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

l) Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of associates and jointly controlled entities 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 financial assets at cost, less any provision for impairment.

m) Inventories

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

n) Investment Properties

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

o) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

p) Leases

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

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life(where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

q) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation. (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 Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

r) Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where the asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer. (14 to 40 years)
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. (4 to 15 years useful life)
- infrastructure – straight-line allocation over 60 years.
- there is no depreciation charged in year of purchase but a full year charge made in year of sale.

Componentisation

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

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.

Disposals

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

s) Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – an interest charge of 4.36% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent Assets

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

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

u) Reserves

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

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

Insurance Fund

The Insurance fund covers the main classes of insurance: property, public liability, employers 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 total cost of insurance i.e. premium plus excess, is charged to the Fund and offset by contributions from services which are reflected in Comprehensive Income and Expenditure Statement.

v) Revenue Expenditure Funded from Capital under Statute

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

w) VAT

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

Note 2 - Accounting Standards

The Council must disclose information relating to the impact of an accounting change that will be required by a new Accounting Standard that has been issued but not yet adopted. For 2011/12 this relates to amendments to IFRS 7 *Financial Instruments: Disclosures (transfers of financial assets)*.

The adoption of this amendment in 2012/13 will not result in a change of accounting policy that will require the restatement of previous figures.

Note 3 - Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The net worth of the Council has decreased by £7.85m at 31 March 2012. It is recognised a £14.64m reduction is due to the increase in the Council's share of the net liability of Falkirk Pension Fund as a result of falling real bond yields and poor asset returns.

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

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

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings and council houses would increase by £153k and £257k respectively for every year that useful lives had to be reduced.
Provisions	The Council has made a provision of £0.422m for the settlement of claims for back pay arising from the Equal Pay initiative. This is based on settling the number of existing claims outstanding at an average settlement amount. It is not certain that all valid claims have yet been received by the Council and there is an indication that 2nd and 3rd wave claims are now being lodged. An earmarked reserve of £0.450m has been established to cover this event.	If the impact of new claims exceed the earmarked reserve allocation, then further funding may be required which cannot be quantified at this time.
Arrears - Council Tax	At 31 March 2012, the Council had Council Tax debt outstanding of £9.159m. A review of outstanding balances suggested that an allowance for doubtful debts of £6.288m was appropriate resulting in a coverage of 69% against bad debts. However, in the current economic climate such an allowance might not be sufficient.	If collection rates were to deteriorate and the provision had to be increase for instance by 5%, then a further contribution to the provision of £458k would be required.
Arrears - Sundry Debtors	At 31 March 2012, the Council had a balance of sundry debtors of £1.852m. A review of outstanding balances suggested that an allowance for doubtful debts of £626k was appropriate to cover those debts over one year old. However, in the current economic climate such an allowance might not be sufficient.	If collection rates were to deteriorate and remaining debts over one year old become more doubtful this would require an additional £70k to be set aside as an allowance. Similarly, if debts between 6 and 12 months become doubtful, then a further additional sum of up to £141k could be required.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of 9% equating to £22.549m.

Note 5 - Events After the Reporting Period

The Unaudited Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 28 June 2012. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Other events taking place after this date are not reflected in the financial statements or Notes.

Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

General Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Insurance Fund

The purpose of the Insurance Fund is to provide an element of self-insurance and protect the Council against unforeseen losses.

2011/12	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Charges for depreciation and impairment of non current assets	(10,322)	(5,312)	-	-	15,634
Amortisation of intangible assets	(168)	-	-	-	168
Capital grants and contributions that have been applied to capital financing	5,231	-	-	-	(5,231)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,570)	(585)	-	-	8,155
Sale Proceeds of non-current assets	4,609	747	(5,356)	-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Statutory provision for the financing of capital investment	6,105	1,443	-	-	(7,548)
Capital expenditure charged against the General Fund and HRA balances	318	1,884	-	-	(2,202)
Adjustments involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	747	-	(747)
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	307	-	-	-	(307)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see Note 44)	(8,344)	(299)	-	-	8,643
Employer's pensions contributions and direct payments to pensioners payable in the year	7,198	232	-	-	(7,430)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,977	12	-	-	(1,989)
Total Adjustments	659	(1,878)	(4,609)	-	7,146

2010/11 comparative figures	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Insurance Fund £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Charges for depreciation and impairment of non current assets	(6,617)	(5,109)	-	-	11,726
Amortisation of intangible assets	(187)	-	-	-	187
Capital grants and contributions that have been applied to capital financing	2,959	-	-	-	(2,959)
Revenue expenditure funded from capital under statute	1,245	-	-	-	(1,245)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(567)	(730)	-	-	1,297
Sale proceeds of non-current assets	735	1,096	(1,831)	-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Statutory provision for the financing of capital investment	5,917	1,562	-	-	(7,479)
Capital expenditure charged against the General Fund and HRA balances	-	2,373	-	-	(2,373)
Adjustments involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,096	-	(1,096)
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	302	-	-	-	(302)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see Note 44)	12,538	(443)	-	-	(12,095)
Employer's pensions contributions and direct payments to pensioners payable in the year	6,511	261	-	-	(6,772)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	490	117	-	-	(607)
Total Adjustments	23,326	(873)	(735)	-	(21,718)

Note 7 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

2011/12	Balance at 1 April 2011 £000	Transfers Out 2011/2012 £000	Transfers In 2011/2012 £000	Balance at 31 March 2012 £000	Purpose of the Earmarked Reserve
General Fund:					
Capital Receipts Reserve	-	-	4,609	4,609	Proceed of assets sales available to meet future capital investment or repayment of debt
Insurance Fund	791	-	3	794	Resources to provide an element of self-insurance
Total	791	-	4,612	5,403	

2010/11 comparative figures	Balance at 1 April 2010 £000	Transfers Out 2010/2011 £000	Transfers In 2010/2011 £000	Balance at 31 March 2011 £000
General Fund:				
Capital Receipts Reserve	735	(1,470)	735	-
Insurance Fund	710	-	81	791
Total	1,445	(1,470)	816	791

Note 8 - Other Operating Expenditure

This note provides detail regarding the Other Operating Expenditure line within the Comprehensive Income and Expenditure Account on page 32.

	2010/11 £000	2011/12 £000
(Gains)/losses on trading operations (Note 32)	(278)	(372)
(Gains)/losses on the disposal of non current assets	(534)	2,798
Total	(812)	2,426

Note 9 - Financing and Investment Income and Expenditure

This note provides detail regarding the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Account on page 32.

	2010/11 £000	2011/12 £000
Interest payable and similar charges	9,774	9,775
Pensions interest cost and expected return on pensions assets	2,490	1,213
Interest receivable and similar income	(462)	(714)
Changes in the carrying value of LOBO * loans	11	5
Total	11,813	10,279

* Lender Options Borrower Options

Note 10 - Taxation and Non Specific Grant Income

This note provides detail regarding the Taxation and Non Specific Grant Income line within the Comprehensive Income and Expenditure Account on page 32.

	2010/11 £000	2011/12 £000
Council tax income	(21,518)	(20,709)
Non domestic rates	(20,228)	(12,284)
Non-ring fenced government grants	(77,580)	(83,020)
Capital grants and contributions	(2,348)	(4,363)
Total	(121,674)	(120,376)

Note 11 - Amounts Reported for Resource Allocation Decisions

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

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

The income and expenditure of the Council's principal services recorded in the budget reports for the year is as follows:

Portfolio Income and Expenditure

	Support Services £000's	Strategy & Customer Services £000's	Facilities Management £000's	Social Policy £000's	Education £000's	Community & Regulatory £000's	Housing Revenue Account £000's	Total £000's
Fees, Charges & Other Service Income	(462)	(399)	(4,153)	(8,049)	(1,280)	(7,611)	(14,733)	(36,687)
Government Grants	(518)	(12)	(11)	(1,782)	(341)	(18,234)	0	(20,898)
Total Income	(980)	(411)	(4,164)	(9,831)	(1,621)	(25,845)	(14,733)	(57,585)
Employee Expenses	4,926	4,992	7,565	10,834	31,681	5,843	1,822	67,663
Other Operating Expenses	1,272	1,378	18,282	23,178	3,529	27,638	5,633	80,910
Total Operating Expenses	6,198	6,370	25,847	34,012	35,210	33,481	7,455	148,573
Net Cost of Services	5,218	5,960	21,683	24,181	33,589	7,636	(7,278)	90,988

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

Cost of Services in Service Analysis	90,988
Add amounts not reported in service management accounts (1)	14,674
Net Cost of Services in Comprehensive Income and Expenditure Statement	105,662

Reconciliation to Subjective Analysis

	Service Analysis £000s	Not Reported in Service Management A/cs £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(36,687)	(6,565)	(43,252)	(372)	(43,624)
Interest and Investment income	-	-	-	(197)	(197)
Income from Council Tax & NDR	-	-	-	(32,993)	(32,993)
Government grants and contributions	(20,898)	(5,157)	(26,055)	(87,383)	(113,438)
Total Income	(57,585)	(11,722)	(69,307)	(120,945)	(190,252)
Employee expenses	67,663	1,249	68,912	-	68,912
Other Service expenses	80,910	9,344	90,254	-	90,291
Depreciation, amortisation and impairment	-	15,803	15,803	-	15,803
Interest payments	-	-	-	10,476	10,476
Gain or loss on disposal of Fixed Assets	-	-	-	2,798	2,761
Total Operating expenses	148,573	26,396	174,969	13,274	188,243
(Surplus) or deficit on the provision of services	90,988	14,674	105,662	(107,671)	(2,009)

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

Comparative Amounts Reported for Resource Allocation Decisions in 2010/11

Portfolio Income and Expenditure

	Support Services £000's	Strategy & Customer Services £000's	Facilities Management £000's	Social Policy £000's	Education £000's	Community & Regulatory £000's	Housing Revenue Account £000's	Total £000's
Fees, Charges & Other Service Income	(578)	(1,058)	(4,384)	(7,984)	(1,660)	(3,811)	(14,148)	(33,623)
Government Grants	(392)	-	-	(1,502)	(524)	(18,296)	-	(20,714)
Total Income	(970)	(1,058)	(4,384)	(9,486)	(2,184)	(22,107)	(14,148)	(54,337)
Employee Expenses	5,236	6,380	7,707	10,190	33,546	4,793	2,206	70,058
Other Operating Expenses	1,317	2,958	17,709	23,387	3,962	25,247	5,646	80,226
Total Operating Expenses	6,553	9,338	25,416	33,577	37,508	30,040	7,852	150,284
Net Cost of Services	5,583	8,280	21,032	24,091	35,324	7,933	(6,296)	95,947

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

Cost of Services in Service Analysis	95,947
(1) Add amounts not reported in service management accounts	<u>(6,814)</u>
Net Cost of Services in Comprehensive Income and Expenditure Statement	89,133

Reconciliation to Subjective Analysis

	Service Analysis £000s	Not Reported in Service Management A/cs £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(33,623)	(8,004)	(41,627)	(812)	(42,439)
Interest and Investment income	-	-	-	(188)	(188)
Income from Council Tax & NDR	-	-	-	(41,746)	(41,746)
Government grants and contributions	(20,714)	-	(20,714)	(79,928)	(100,642)
Total Income	(54,337)	(8,004)	(62,341)	(122,674)	(185,015)
Employee expenses	70,058	(18,121)	51,937	-	51,937
Other Service expenses	80,226	8,650	88,876	-	88,876
Depreciation, amortisation and impairment	-	11,195	11,195	-	11,195
Interest payments	-	-	-	12,001	12,001
Gain or loss on disposal of Fixed Assets	-	(534)	(534)	-	(534)
Total Operating expenses	150,284	1,190	151,474	12,001	163,475
(Surplus) or deficit on the provision of services	95,947	(6,814)	89,133	(110,673)	(21,540)

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

Note 12 - Property, Plant and Equipment

Movements on Balances

Movements in 2011/12

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equip	Infrastructure Assets	Assets under Construction	Total Property, Plant & Equip PFI Assets Included in Property, Plant & Equip ¹	
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2011	137,080	148,324	15,019	34,526	15	334,964	61,325
Valuation adjustment OLB 1 April 2011	-	172	-	-	(80)	92	-
Additions	2,851	2,050	826	2,195	60	7,982	-
Derecognition – Disposals – Impairment (Note 41)	(1,222)	(268) (45)	(70)	-	-	(1,560) (45)	-
Assets reclassified (to)/from OLB additions	-	11	-	-	(11)	-	-
Assets reclassified (to)/from Heritage Assets (Note 13)	-	-	-	(26)	-	(26)	-
Assets reclassified (to)/from Investment Assets (Note 14)	-	(325)	-	-	200	(125)	-
At 31 March 2012	138,709	149,919	15,775	36,695	184	341,282	61,325
Accumulated Depreciation and Impairment							
At 1 April 2011	8,636	7,640	8,849	3,521	0	28,646	1,909
Depreciation charge	5,175	3,910	1,791	612	-	11,488	1,148
Derecognition – Disposals	(636)	(28)	(70)	-	-	(734)	-
Depreciation eliminated on reclassification	-	(26)	-	-	-	(26)	-
At 31 March 2012	13,175	11,496	10,570	4,133	0	39,374	3,057
Net Book Value							
At 31 March 2012	125,534	138,423	5,205	32,562	184	301,908	58,268
At 31 March 2011	128,444	140,684	6,170	31,005	15	306,318	59,416

Comparative Movements in 2010/11

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equip	Infrastructure Assets	Assets under Construction	Total Property, Plant & Equip	PFI Assets Included in Property, Plant & Equip ²
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2010 #	135,461	153,802	14,416	32,592	4	336,275	61,325
Additions	3,469	1,646	822	1,954	11	7,902	-
Derecognition – Disposals	(1,850)	-	(219)	-	-	(2,069)	-
Assets reclassified (to)/from Held for Sale	-	(7,124)	-	-	15	(7,124)	-
Assets reclassified (to)/from Heritage Assets	-	-	-	(20)	-	(20)	-
At 31 March 2011	137,080	148,324	15,019	34,526	15	334,964	61,325
Accumulated Depreciation and Impairment							
At 1 April 2010	4,755	4,285	7,185	2,942	-	19,167	761
Depreciation charge	5,037	4,257	1,853	579	-	11,726	1,148
Derecognition – Disposals	(1,156)	-	(189)	-	-	(1,345)	-
Eliminated on reclassification to Assets Held for Sale	-	(902)	-	-	-	(902)	-
At 31 March 2011	8,636	7,640	8,849	3,521	-	28,646	1,909
Net Book Value							
At 31 March 2011	128,444	140,684	6,170	31,005	15	306,318	59,416
At 31 March 2010	130,706	149,521	7,231	29,650	4	317,112	60,564

see note 50 (page 92) for details of restatement of opening balance in respect of Heritage Assets

Capital Commitments

The Council has approved £17.2m in 2012/13 under its capital programme, of which £1.253m has been contracted. The contracts are as follows:

	£000
Council Housing:	
- Central Heating	430
- Rewiring	241
- Roofs	51
- Other Housing	15
Primary & Nursery School Developments	311
Social Services	113
Roads Contracts	59
Leisure Facilities	33

Valuations

Assets are included in the Balance Sheet at their current asset value as at 1 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 1 April 2009 at £131.790m. Other lands and heritages were also valued by Valuation Office Agency as at 1 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 continues to review the fair value of Assets Held for Sale to ensure they reflect current market values.

Note 13 - Heritage Assets

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

	Art Collection	Public Art - Statues	Public Art - Glass & Mosaics	Civic Regalia	Industrial Equipment & other items	Total Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
1 April 2010	102	385	108	2	129	726
Additions	-	7	8	-	-	15
Transfers	-	26	-	-	-	26
31 March 2011	102	418	116	2	129	767
Cost or Valuation						
Transfers (Note 12)	-	26	-	-	-	26
Revaluation	-	40	-	-	-	40
At 31 March 2012	102	484	116	2	129	833

Art Collection

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

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

Public Art - Statues

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

Public Art - Glassworks and Mosaics

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

Civic Regalia

The collection of regalia includes two Provost's chains and regalia from former district burghs. The Council has obtained valuations for the collection of regalia by means of their insurance valuations. These insurance valuations are based on a current estimation of market value and are reviewed annually to ensure the adequacy of insurance provision and current valuation. The collection of civic regalia is reported in the Balance sheet at Insured value.

Industrial equipment and ephemera

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

Items/collections within this category for which a valuation has been obtained are:

- Harviestoun Silver Soup Tureen
- Robert Millar Long Case Clock
- Paton & Baldwins Model
- Alloa Pottery Collection
- Arnsbrae Candelabra
- Steinway Grand Piano
- Furnace, Kilns and associated equipment

Additions of Heritage Assets

Additions comprise:

£000

Public Art - Statues

Completion/restoration of statues at Shillinghill & Muirside 26

The Council did not dispose of any heritage assets during the period covered by these financial statements.

Note 14 - Investment Properties

The following items of income and expense in respect of Investment Property leased out as operating leases, have been accounted for in the Comprehensive Income and Expenditure Statement:

	31 March 2011 £000	31 March 2012 £000
Rental Income from investment	240	221
Direct operating expenses arising from investment property	n/a	n/a
Net gain	<u>240</u>	<u>221</u>

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

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

	31 March 2011 £000	31 March 2012 £000
Balance at 1 April	6,239	5,759
Additions:		
- Construction	1	-
Disposals	(270)	(465)
Net gains/losses from fair value adjustments	-	(36)
Transfers:		
- (to)/ from Property, Plant and Equipment (Note 12)	-	325
- (to)/ from Assets Held for Sale	(211)	
- (to)/ from Assets Under Construction	-	(200)
Balance at 31 March	<u>5,759</u>	<u>5,383</u>

Note 15 - Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are all five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisations are charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services within the Comprehensive Income and Expenditure Statement. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	31 March 2011	31 March 2012
	£000	£000
Balance at start of year:		
• Gross carrying amounts	1,204	1,322
• Accumulated amortisation	(680)	(867)
Net carrying amount at start of year	524	455
Additions:		
Purchases	118	118
Amortisation for the year	(187)	(169)
Net carrying amount at end of year	455	404
Comprising:		
• Gross carrying amounts	1,322	1,440
• Accumulated amortisation	(867)	(1,036)
	455	404

Note 16 - Long-term Investments

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

	31 March 2011	31 March 2012
	£000	£000
CSBP Clackmannanshire Developments Ltd (at cost)	1,426	1,458
Less Impairment in Value	-	(174)
		1,284
Clackmannanshire Regeneration LLP	-	4,906
	1,426	6,190

The sum invested in CSBP Clackmannanshire Developments Ltd represents shareholder loan in this joint venture company. Interest accrued is added to the loan annually. The impairment in value included in 2011/12 represents the Council's 50% share of the anticipated shortfall in funds within the company based on estimated sale of remaining properties at current values.

In December 2011 the Council agreed to lend £4.906m to Clackmannanshire Regeneration LLP, a company established to develop the new council offices at Kilncraigs under the Business Premises Renovation Allowance (BPRA) scheme. This sum will remain invested in the company for eight years in accordance with the development agreement and earns interest at the prevailing Public Works Loan Board rate.

Note 17 - Long-term Debtors

Business Development Loans relate to companies, many of which are in liquidation, and there is now no expectation that these loans will be repaid. These will be included in the next write-off report that will be considered by Council. Loans to employees are currently being recovered through payroll deductions.

	31 March 2011 £000	31 March 2012 £000
Loans to Employees	12	4
Business Development Loans	<u>53</u>	<u>53</u>
	65	57
Less Provision for bad debts (Business Development)	<u>(53)</u>	<u>(53)</u>
	<u>12</u>	<u>4</u>

Note 18 - Assets Held for Sale

This note provides detail of the Assets Held for Sale on the Balance Sheet on page 33. An asset is required to fulfil certain criteria in order to be classified in this category. These criteria are detailed in the Accounting Policies (see page 48).

	31 March 2011 £000	31 March 2012 £000
Balance at 1 April	8,916	15,514
Assets newly classified as held for sale:		
• Property, Plant and Equipment	6,433	-
Impairment losses (Note 41)	-	(4,091)
Assets sold	(300)	(6,864)
Expenditure Incurred	465	80
Balance at 31 March	15,514	4,639

Note 19 - Inventories

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

	Building Works	Catering	Vehicle Mtce	Other	Total
	2011/12 £000	2011/12 £000	2011/12 £000	2011/12 £000	2011/12 £000
Balance outstanding at start of year	215	52	62	142	471
Purchases	507	693	594	576	2,370
Recognised as an expense in the year	(552)	(694)	(578)	(493)	(2,317)
Balance outstanding at year-end	170	51	78	225	524

	2010/11 £000	2010/11 £000	2010/11 £000	2010/11 £000	2010/11 £000
Balance outstanding at start of year	190	46	40	164	440
Purchases	459	732	572	388	2,151
Recognised as an expense in the year	(434)	(726)	(550)	(410)	(2,120)
Balance outstanding at year-end	215	52	62	142	471

Note 20 - Short Term Debtors

This Note provides detail of the Short Term Debtors line in the Balance Sheet on page 33. A Short Term Debtor represents money that is owed to the Council and which is expected to be received in less than a year.

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

	31 March 2011 £000	31 March 2012 £000
Central government bodies	1,857	2,968
Other local authorities	-	188
NHS bodies	353	373
Public corporations and trading funds	42	68
Other entities and individuals	8,385	6,239
Total	10,637	9,836

Note 21 - Short Term Investments and Cash and Cash Equivalents

This Note provides detail of the Short Term Investments and Cash and Cash Equivalents lines in the Balance Sheet on page 33.

The Short Term Investments is made up of:

	31 March 2011 £000	31 March 2012 £000
Fixed term cash deposits with banks under 1 year	0	10,000

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2011 £000	31 March 2012 £000
Cash held by the Council	28	29
Bank current accounts	17,432	20,839
Total cash and cash equivalents	17,460	20,868

Note 22 - Short Term Creditors

This Note provides detail of the Short Term Creditors line in the Balance Sheet on page 33. A Short Term Creditor represents money that is owed by the Council and which is expected to be paid in less than a year.

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

	31 March 2011 £000	31 March 2012 £000
Central government bodies	3,395	4,481
Other local authorities	718	500
NHS bodies	191	362
Public corporations and trading funds	-	408
Other entities and individuals	15,644	16,284
Total	<u>19,948</u>	<u>22,035</u>

Note 23 - Provisions

Equal Pay

The Council has settled a number of equal pay claims during the year totalling £752k. It is anticipated that the remaining provision of £422k is required to complete the settlement of the remaining existing claims.

Early Retirement

In accordance with IAS37 where individual posts have been identified and agreed for voluntary redundancy, but not actually paid before 31 March, a provision is made. The costs incurred in 2011/12 reflect the implementation of service and management reconfiguration approved by the Council in January 2010. Provision has been made in 2011/12 for the costs of those packages agreed but not yet paid.

	Current Provision Early Retirement £000	Long Term Provision Equal Pay £000	Total £000
Balance at 1 April 2011	826	2,778	3,604
Additional provisions made in 2011/12	72	-	72
Reduction in provision made in 2011/12	-	(1,604)	(1,604)
Amounts used in 2011/12	(826)	(752)	(1,578)
Balance at 31 March 2012	72	422	494

Note 24 - Borrowings

This note provides details of the short and long term borrowings undertaken by the Council and shown on the Balance Sheet on page 33. These values are reflected at amortised cost.

Source of Loan	Average Rate payable (%)	Total Outstanding at	
		31 March 2011 £000	31 March 2012 £000
Repayable within 12 months			
Public Works Loan Board		-	4,000
Revenue Advances: -			
- Common Good & Trust Funds		516	696
- Central Scotland Valuation Joint Board		330	573
- Forth Valley Criminal Justice Authority		<u>912</u>	<u>1,194</u>
		<u>1,758</u>	<u>6,463</u>
Repayable after 12 months			
Public Works Loan Board	5.03%	99,702	95,703
Market Loans	4.31%	<u>24,024</u>	<u>24,029</u>
		123,726	119,732
Accrued interest on borrowing		<u>1,798</u>	<u>1,810</u>
		<u>125,524</u>	<u>121,542</u>
Analysis of Long-term Loans by Maturity			
Between 1 - 2 year		4,000	4,000
Between 2 - 5 years		20,000	22,200
Between 5 - 10 years		9,814	5,412
More than 10 years		<u>89,912</u>	<u>88,120</u>
		<u>123,726</u>	<u>119,732</u>

Note 25 - Other Long-term Liabilities

	31 March 2011 £000	31 March 2012 £000
PFI & Finance Liabilities (see note (a) below)	48,711	47,475
Pension Liabilities	61,617	76,257
Other Long-term Liabilities (see note (b) below)	717	669
	111,045	124,401

(a) PFI & Finance Lease

This sum relates to the finance lease creditor associated with the financing of the three new secondary schools under the PFI scheme, and Street Lighting. Note 40, page 81 in the Accounts provides more detail in respect of the future payments that are due under the terms of the contract. The movements in the balance sheet values are detailed below:

	PFI Scheme	Street Lighting	Total	PFI	Street Lighting	Total
	2010/11 £000	2010/11 £000	2010/11 £000	2011/12 £000	2011/12 £000	2011/12 £000
Balance at 1 April	50,378	681	51,059	49,276	639	49,915
Finance Lease creditor repayment in 1 year	(1,102)	(42)	(1,144)	(1,164)	(45)	(1,209)
	<u>49,276</u>	<u>639</u>	<u>49,915</u>	<u>48,112</u>	<u>594</u>	<u>48,706</u>
Liabilities due over more than one year	48,112	599	48,711	46,930	545	47,475
Liabilities due within one year	1,164	40	1,204	1,182	49	1,231

(b) Other Long-term Liabilities

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

	31 March 2011 £000	31 March 2012 £000
Developer Contributions	607	612
European Investment Bank	110	57
	717	669

Note 26 - Financial Instruments

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

Categories of Financial Instruments

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

Table 1: Financial Instrument Balances

	Long-term		Current	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Borrowings				
Financial liabilities at amortised cost	* 123,726	* 119,732	1,798	5,810
PFI & Finance leases liabilities	48,711	47,475	1,204	1,231
Total Financial Liabilities	172,437	167,207	3,002	7,041
Investments				
Loans & Receivables	-	4,906	17,460	31,963
Total Financial Assets	-	4,906	17,460	31,963

* LOBOs of £18.5m (£9.5m March 2011) have been included in Long Term Borrowing but have options to call in the next 12 months.

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

	2010/11			2011/12		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(6,251)	-	(6,251)	(6,170)	-	(6,170)
Total expense in Surplus or Deficit on the Provision of Services	(6,251)	-	(6,251)	(6,170)	-	(6,170)
Interest Income	-	264	264	-	517	517
Total Income in Surplus or Deficit on the Provision of Services	-	264	264	-	517	517
Net gain/(loss) for the year	(6,251)	264	(5,987)	(6,170)	517	5,653

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.

Table 3: Fair Values of Assets and Liabilities

The fair values are calculated as follows:-

	31 March 2011		31 March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB - Maturity	101,139	108,787	101,153	121,878
PWLB - Annuity	41	58	40	64
LOBOs	23,807	26,995	23,835	24,689
Other loans	110	126	57	61
Financial Liabilities	125,097	135,966	125,085	146,692

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.

	31 March 2011		31 March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash	47	47	29	29
Long Term Debtors	-	-	4,906	5,307
Deposit with banks and Building Societies	17,413	17,413	30,839	30,839
Financial Assets	17,460	17,460	35,774	36,175

Note 27 - Usable Reserves

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement (page 31) and Notes 6 and 7 (pages 52 and 55).

	31 March 2011 £000	31 March 2012 £000
General Fund	9,129	13,059
Housing Revenue Account	3,575	4,180
Capital Receipts Reserve	-	4,609
Insurance Fund	791	794
Total Usable Reserves	13,495	22,642

Note 28 - Unusable Reserves

	1 April 2010 £000	31 March 2011 £000	31 March 2012 £000
Revaluation Reserve	26,850	27,462	27,585
Capital Adjustment Account	125,500	125,500	117,280
Financial Instruments Adjustment Account	(4,179)	(4,179)	(3,872)
Pensions Reserve	(61,617)	(61,617)	(76,257)
Accumulating Compensated Absences Adjustment Account	(3,721)	(3,721)	(1,732)
Total Unusable Reserves	82,933	93,445	63,004

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment or Heritage Assets. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March 2011 £000	31 March 2012 £000
Balance at 1 April	28,004	27,462
Upward revaluation of assets	21	133
Accumulated gains/(losses) on assets sold or scrapped written off to the Capital Adjustment Account	(563)	(10)
Balance at 31 March	27,462	27,585

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

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

	31 March 2011 £000	31 March 2012 £000
Balance at 1 April	122,995	125,500
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
• Charges for depreciation and impairment of non current assets	(11,726)	(15,635)
• Amortisation of intangible assets	(187)	(168)
• Revenue expenditure funded from capital under statute	1,245	-
• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,297)	(8,155)
• Amounts written out of the Revaluation Reserve on assets sold or scrapped	563	10
	(11,402)	(23,948)
<u>Capital financing applied in the year:</u>		
• Use of the Capital Receipts Reserve to finance new capital expenditure	1,096	747
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,959	5,231
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	7,479	7,548
• Capital expenditure charged against the General Fund and HRA balances	2,373	2,202
	13,907	15,728
Balance at 31 March	125,500	117,280

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 42 years.

	31 March 2011 £000	31 March 2012 £000
Balance at 1 April	(4,481)	(4,179)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	313	312
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(11)	(5)
Balance at 31 March	(4,179)	(3,872)

Pensions Reserve

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

	31 March 2011 £000	31 March 2012 £000
Balance at 1 April	(105,036)	(61,617)
Actuarial gains or losses on pensions assets and liabilities	24,552	(13,428)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12,095	(8,643)
Employer's pensions contributions and direct payments to pensioners payable in the year	6,772	7,431
Balance at 31 March	(61,617)	(76,257)

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31 March 2011 £000	31 March 2012 £000
Balance at 1 April	4,328	3,721
Settlement or cancellation of accrual made at the end of the preceding year	(4,328)	(3,721)
Amounts accrued at 31 March	3,721	1,732
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(607)	(1,989)

Note 29 - Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	31 March 2011 £000	31 March 2012 £000
Interest received	188	197
Interest paid	(11,463)	(10,464)

Note 30 - Cash Flow Statement – Investing Activities

	31 March 2011 £000	31 March 2012 £000
Purchase of property, plant and equipment, investment property and intangible assets	(8,583)	(8,180)
Purchase of short and long term investments	-	(14,938)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,831	5,356
Other receipts from investing activities	2,678	5,674
Net cash flows from investing activities	(4,074)	(12,088)

Note 31 - Cash Flow Statement – Financing Activities

	31 March 2011 £000	31 March 2012 £000
Cash receipts of short- and long-term borrowing	-	4,705
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(565)	(1,236)
Repayments of short- and long-term borrowing	(1,503)	(4,042)
Net cash flows from financing activities	(2,068)	(573)

Note 32 - Trading Operations

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

		2009/10		2010/11		2011/12	
		£000	£000	£000	£000	£000	£000
Property contracts carried 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		5,702		6,565	
	Expenditure	(5,361)		(5,248)		(5,882)	
	Surplus		650		454		683
Environmental & Engineering contracts carries out maintenance work on existing roads infrastructure together with construction of new projects including car parks and lighting schemes - the Surplus trading objective is to achieve the budgeted surplus of (£84,000)	Turnover	2,625		2,491		2,737	
	Expenditure	(2,428)		(2,313)		(2,553)	
	Surplus		197		178		184
Total Surplus			847		632		867
Reversal of items debited or credited to the Other Operating expenditure in the Comprehensive Income and Expenditure Statement							
Surplus credited against HRA Balances			(190)		(153)		(303)
Surplus credited against General Fund Balance - Roads & Transport Services			(146)		(201)		(192)
Gains/Losses on Trading Operations per Note (8)			511		278		372

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. Trading Operations are incorporated into the Comprehensive Income and Expenditure Statement

Note 33 - 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 £0.146m (2010/11 - £0.138m). This income is included in the Comprehensive Income and Expenditure Statement.

Note 34 - Pooled Budgets

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

	Budget	Budget	Expenditure	Expenditure
	2010/11	2011/12	2010/11	2011/12
	£000	£000	£000	£000
Integrated Mental Health Management	167	167	129	126
Skills Training	355	335	321	410
Integrated MH reserves	-	-	1	50
Mental Health Day Unit	<u>562</u>	<u>562</u>	<u>580</u>	<u>551</u>
	1,084	1,064	1,031	1,137
Clackmannanshire Council	48%	47%	44%	49%
NHS Forth Valley	52%	53%	56%	51%

Note 35 - External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors

	2010/11	2011/12
	£000	£000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	219	218

Note 36 - Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2011/12:

	31 March	31 March
	2011	2012
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Council Tax/Community Charge	21,518	21,523
General Government Grant	77,580	83,020
Non-Domestic Rate Redistribution	20,228	12,284
Capital Grants & Contributions	2,348	4,290
Total	121,674	121,117
Credited to Services		
DSS grant for Benefits	16,887	17,831
Criminal Justice	1,404	1,746
Other grants(including EMA's and Home Insulation Scheme)	2,345	1,855
Total	20,636	21,432

Note 37 - 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 2011/12 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 in Note 36 (Grant Income)
- b) Payments to the Falkirk Council Superannuation Fund and Scottish Government (Teachers' Pensions) are shown in Notes 43 and 44 (Pension Schemes).
- c) Requisitions paid to Joint Boards are shown on the Comprehensive Income and Expenditure Account.
- d) Payments to Elected Members and Chief Officers are shown in the Remuneration Report.

Other significant related party transactions not included elsewhere within the Financial Statements are: -

a) The South East of Scotland Regional Transport Partnership (SESTRAN)

The Council's contribution to this partnership was £7,554 (2010/11 £10,135).

b) 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 Council's pay an annualised amount for core GIS services. The contribution paid by the Council in 2011/12 was £183,365 (2010/11 £162,595). In addition there were payments made of £139,512 (2010/11 - £18,623) for services purchased and £59,709 (2010/11 Nil) received for sums due to the Council.

c) SEEMIS Limited Liability Partnership

The Council's contribution to this partnership was £42,539 (2010/11 £37,324). The Council is one of 26 Council's across Scotland with membership. The Council's contribution is 1.22%.

d) Scotland Excel

The Council's contribution to this partnership was £45,113 (2010/11 £46,317). The Council is one of 32 Council's across Scotland with membership. The Council's contribution is 1.37%.

Note 38 - Capital Expenditure and Capital Financing

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

	31 March 2011 £000 Restated	31 March 2012 £000
Opening Capital Financing Requirement	131,343	125,936
Capital investment		
Property Plant & Equipment	7,902	7,982
Heritage Assets	15	-
Investment Properties	1	-
Intangible Assets	118	118
Assets Held for Sale	465	80
Sources of finance		
Capital receipts	(1,096)	(747)
Government grants and other contributions	(2,960)	(5,231)
Sums set aside from revenue:		
• Direct revenue contributions	(2,373)	(2,202)
• Repayment of Finance Lease Capital Debt	(1,144)	(1,209)
• Loans Fund Principal	(6,335)	(6,339)
Closing Capital Financing Requirement	125,936	118,388
Explanation of movements in year		
decrease in underlying need to borrowing	(6,101)	(7,548)
Decrease in Capital Financing Requirement	(6,101)	(7,548)

Note 39 - Leases

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

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31 March 2011 £000	31 March 2012 £000
Infrastructure Assets	561	510
	561	510

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

	31 March 2011 £000	31 March 2012 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	45	49
• non current	594	545
Finance costs payable in future years	292	244
Minimum lease payments	931	838

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Not later than one Year	48	44	45	49
Later than one year not later than Five years	155	139	217	233
Later than Five years	89	61	377	312
	292	244	639	594

Note 40 - Private Finance Initiatives and Similar Contracts

Secondary Schools PFI Scheme

2011/12 was the fourth year of a 30 year PFI contract for the construction, and maintenance of our three secondary schools in Clackmannanshire, namely Alloa, Alva and Lornshill Academies. The contract specifies the number of days and times that the schools are open, this includes an element of leisure provision in the evenings and weekends. The contract specifies minimum standards for the provision of the serviced accommodation to be provided by the contractor, with reductions from the fee payable being made if the schools, or rooms, are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant needed to operate the schools. At the end of the contract the schools will be transferred to the Council for nil consideration.

Property, Plant and Equipment

The schools are recognised on the Council's Balance Sheet, Movements in their value over the year are detailed in the analysis of the movement on the Property Plant and Equipment balance in Note 12.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2012, excluding any estimate of availability/performance deductions are as follows:-

The annual payments payable under the Secondary Schools PPP contract are estimated at £7.176m in 2012/13 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 Comprehensive Income and Expenditure Account in 2011/12 was £6.917m (2010/11 £6.801m). 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	1,181	3,536	2,459	7,176
within two to five years	4,839	13,871	11,301	30,011
within six to ten years	5,420	16,423	18,858	40,701
within eleven to fifteen years	7,654	15,710	21,312	44,676
within sixteen to twenty years	9,160	13,832	26,182	49,174
within twenty-one to twenty-five years	14,429	12,128	27,704	54,261
within twenty-six to twenty-eight years	5,429	2,384	14,527	22,340
Total	48,112	77,884	122,343	248,339

Note 41 - Impairment Losses

The Council carried out an assessment of its assets for indications of any impairments during 2011/12. The scope of the assessment was to identify any unexpectedly significant decline in an asset's carrying amount or evidence of obsolescence or physical damage of an asset. This has resulted in an impairment of £4,091,000 on Assets Held for Sale and £45,000 on Other Land and Buildings.

In addition to the above the Council reviewed its investment in the Joint Venture CSBP Clackmannanshire Developments Ltd. This was done using the most recent Business Plan which indicated that the Council was unlikely to receive back all of its original investment. The reduction of £89,000 is in line with this plan and the level of investment will continue to be monitored.

Note 42 - Termination Benefits

82 staff have received lump sum severance or have had access to their pension schemes including strain payments during the financial year. The total cost of this during 2011/12 is £1.76m. This includes provision in the accounts of costs relating to 2 employees whose voluntary severance was approved during the 2011/12 financial year but who are not due to leave until the 2012/13 financial year. The relevant statutory disclosures can be found in the Remuneration Report contained with these accounts.

Note 43 - Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The total contribution made for the year ended 31 March 2012 was £3.907m (2010/11 £4.050m), of which employer's contributions totalled £2.743m (2010/11 £2.829m) and employee's contributions totalled £1.164m (2010/11 £1.221m). The agreed contribution rates for future years are 14.9% from 2012/13 (2011/12: 14.9%) for employers and ranging from 6.4% to 8.8% depending on the salary (2011/12: 6.4%) for employees.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 44.

Note 44 - Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Falkirk Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit final arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge they are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £000	
	2010/11	2011/12
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
• current service cost	(6,148)	(5,866)
• past service costs	21,246	(1,257)
<i>Financing and Investment Income and Expenditure</i>		
• interest cost	(12,738)	(11,945)
• expected return on scheme assets	10,248	10,732
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	12,608	(8,336)
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• actuarial gains and losses	(513)	(308)
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	12,095	(8,644)
Movement in Reserves Statement		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(12,095)	8,644
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• employers' contributions payable to scheme	(6,772)	(7,430)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £48,484k. (2010/11 £35,057k)

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Funded liabilities: Local Government Pension Scheme £000

	2010/11	2011/12
Opening balance at 1 April	246,589	217,107
Current service cost	6,148	5,866
Interest cost	12,738	11,945
Contributions by scheme participants	1,757	1,848
Settlements and curtailments	513	308
Actuarial (gains) and losses	(22,468)	15,117
Benefits paid	(6,924)	(9,140)
Past service costs	(21,246)	(1,257)
Closing balance at 31 March	217,107	244,307

Reconciliation of fair value of the scheme (plan) assets:

Local Government Pension Scheme £000

	2010/11	2011/12
Opening Balance at 1 April	141,553	155,490
Expected Rate of Return	10,248	10,732
Actuarial (gains) and losses	2,084	1,690
Employer contributions	6,772	7,430
Contributions by scheme participants	1,757	1,848
Benefits paid	(6,924)	(9,140)
Closing Balance at 31 March	155,490	168,050

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on 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 experience in the respective markets.

The actual return on the scheme assets in the year was £6.194m. (2010/11 £12.351m)

Scheme History

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities:					
Local Government Pension Scheme	(146,696)	(138,199)	(229,772)	(202,626)	(226,398)
Discretionary Benefits	(12,245)	(12,330)	(16,817)	(14,481)	(17,909)
Total Funded Liabilities	(158,941)	(150,529)	(246,589)	(217,107)	(244,307)
Fair value of assets in the Local Government Pension Scheme	136,280	104,249	141,553	155,490	168,050
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(22,631)	(46,280)	(105,036)	(61,617)	(76,257)
Discretionary Benefits	-	-	-	-	-
Total	(22,661)	(46,280)	(105,036)	(61,617)	(76,257)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total movement of £15m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a balance of £76m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £5.919m. (2011-12 £5.606m)

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits 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 2011.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	6.2%
Bonds	4.9%	3.7%
Cash	4.6%	3.5%
Property	5.5%	4.4%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.0 years	21.6 years
Women	25.8 years	25.0 years
Longevity at 65 for future pensioners:		
Men	24.9 years	23.1 years
Women	27.7 years	26.6 years
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	3.8%
Rate for discounting scheme liabilities	4.8%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011 %	31 March 2012 %
Equity investments	76	79
Bonds	13	7
Property	8	8
Cash	3	6
	100	100

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	(10.0)	(36.22)	20.72	1.35	(2.70)
Experience gains and losses on liabilities	0.7	2.6	(0.27)	0.72	(3.58)

Note 45 - 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 more recently, supervisory assistants and classroom assistants. Note 23 includes details of the provision in respect of those groups of employees identified so far which remain to be settled. It remains a possibility that the Council may become liable to third wave and detriment claims, but at this time there is uncertainty both surrounding the likely timescale involved and the potential level of settlement.

Kitchen Contract

Claims were made against the Council in relation to the award of a contract to install kitchens in Council Properties. After judicial review these claims were settled in favour of the Council. Phase II of the claim has been appealed, however the Council remains confident that the appeal will not be successful.

Note 46 - Contingent Assets

Care Costs

The Council has outstanding fees of £0.037m in respect of the cost of care provided by Social Services. In these instances the Council has a legal charge on properties to recover the debt, but at this time there is uncertainty surrounding the likely timescale involved.

Note 47 - 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.

	Amounts at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2012	Estimated maximum exposure to default and uncollectability as at 31 March 2012	Estimated maximum exposure to default and uncollectability as at 31 March 2011
	£000	%	%	£000	£000
Deposits with banks and other financial institutions	30,839	0	0	0	1
Customers	1,734	0	0	0	0
Total	32,573	0	0	0	1

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Debtors

The Council allows credit of 30 days for customers, such that £0.9m of the £1.734m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2011 £000	31 March 2012 £000
Less than three months	890	128
Three to six months	120	60
Six months to one year	127	141
More than one year	923	582
Total	2,060	911

During the year a sum of £58k was charged to the Comprehensive 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):

Loans outstanding	On 31 March 2011	On 31 March 2012
	£000s	£000s
Public Works Loans Board	101,180	101,193
Market debt	23,807	23,835
Other Borrowing	110	57
Local bonds	-	-
Deferred purchase	-	-
Total	125,097	125,085
Less than 1 year	-	4,057
Between 1 and 2 years	4,110	4,000
Between 2 and 5 years	20,000	20,000
Between 5 and 10 years	11,612	11,612
More than 10 years	89,375	85,416
Total	125,097	125,085

In the more than 10 years category there are £18.5m of LOBOs which have options to call 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 Comprehensive Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive 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 Comprehensive Income and Expenditure Statement.
- 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 Council's cost of borrowing and provide compensation for a proportion of any higher costs. However this is difficult to quantify as loan charge support is calculated on weighted average interest rates for all local authorities in Scotland.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	185
Increase in interest receivable on variable rate investments	(205)
Impact on Comprehensive Income and Expenditure Account	(20)
Decrease in fair value of fixed rate borrowing liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	(17,402)

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

Price Risk

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

Foreign Exchange Risk

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

Note 48 - Heritage Assets: Five-Year Summary of Transactions

It is not practical to disclose transactions relating to Heritage Assets for the past five years as retrospective values are not available for all assets.

Note 49 - Heritage Assets: Further information on the Portfolio of Assets

Clackmannanshire's heritage assets consist of items that not only record and reflect the history and legacy of the 'Wee County', but also many which celebrate its future vision. From Neolithic artefacts to 21st century designs, the council is steward to a portfolio which tells the ongoing story of the county and its residents.

Clackmannanshire Council's Public Arts Strategy seeks to bring art into the community through the incorporation of works of art in new development. This public art takes many forms, including sculpture, glasswork, murals or decorative paving.

Many of the modern pieces described below were commissioned as part of 'Imagine Alloa', an award-winning programme that saw £2m invested in the regeneration of the county's principal town centre. As a result of the programme, Alloa Makers' Village, situated in Ludgate, came into being. This is a new collection of artists' and makers' workshops, which is becoming a centre for artistic creativity not only in Clackmannanshire, but also across the Forth Valley.

Art Collection

The Council owns a varied collection of paintings which connections to the county's history, several of which are on display within various municipal buildings.

Notable items within the collection include: "Portrait of Two Boys", a three-quarter length oil on canvas portrait attributed to David Allan who was born in Alloa in 1744, "View of Alloa", painted circa 1840 shows Alloa from the north-west, with the River Forth in the background, and is a significant visual record of the industrial history of the town,

Public Art - Statues

Six large contemporary sculptures were commissioned from internationally renowned figurative sculptor, Andy Scott. Each piece and its location was specifically chosen to reflect or tell a local story, unique to the location. The sculptures, constructed mainly of steel using the latest fabrication techniques, have already become well-known landmarks and together form the 'Public Art Trail', providing locals and visitors an opportunity to see view the country from a different perspective. Each statue has a dedicated page on the council's website www.clacksweb.org.uk/culture/

Within Alloa town centre itself, High Street is home to the Sentinels by Rob Mulholland. Made from marine grade polished stainless steel with a highly mirrored surface, each figure stands at over 2.7 meters and is nearly a ton in weight. They are constantly changing in their appearance due to their mirrored finish, as changes in light and weather create different visual effects throughout the day and night.

The Dumyat South roundabout on the outskirts of Tullibody features a work Michael Visocchi, which was installed in May 2007. The shapes of the sculpture refer to glass blowing and the manufacture of bottles for brewing and distilling. The work is called 'Pontils' after the iron rods on which molten glass is handled when being shaped and worked.

Public Art - Glassworks and Mosaics

International Glass Artist Keiko Mukaide designed bespoke shop numbers which can be found in Primrose Street. An extension of this design has been used throughout the rest of Alloa, with each street having its own colour coded glass number disc, created by a local glass firm with assistance from Lornshill Academy.

Ceramic artists Bill Brown, Sandor Dobany have created ceramic works which can be found in Primrose Street, King Street, The Grange Alloa and further afield. These include a ceramic map of the county, roundels, wall tiling and, in collaboration with the Glasgow School of Art, a wall mosaic at the entrance to Dollarbeg.

Civic Regalia

The collection of regalia includes two Provost's chains and regalia from former district burghs.

Memorials

The Council owns and maintains 12 War Memorials throughout the county. Eleven memorials mark those who died in the First and Second World Wars and the remaining memorial dedicated to those who fell during the Boer War in South Africa.

Each memorial has its own dedicated page on the council's web site detailing the architecture and historical context of each, together with a photograph. These may be found at <http://www.clacksweb.org.uk/community/warmemorials/>.

Listed Buildings/Archaeological Items

The council owns two listed buildings which are classed as heritage assets. The Commemoration Room within the residential development at Menstrie Castle and Tolbooth in Clackmannan.

The commemoration room in Mentrie Castle records the links between the county and the Baronets of Nova Scotia. The room is adorned with displays on the history of Nova Scotia, as well as painted armorials depicting the 109 Nova Scotian baronetcies created as a result. There are also portraits of James VI, Charles I and Sir William Alexander.

The Tolbooth in Clackmannan was built in the late 16th century primarily due to the wishes of William Menteith, the local sheriff, who was no longer inclined to hold prisoners in his own dwelling house. All that remains now is the belfry tower.

Adjacent to the Tolbooth is the ancient standing stone of Mannan, associated with two stories - one of the Sea God Mannau, the other concerning Robert the Bruce's lost glove (or mannan). It is thought that this originally stood on an island in the River Forth.

Nearby is the Mercat Cross, a solitary pillar bearing the arms of the Bruce family.

Industrial equipment and ephemera

In the last three centuries the county has seen the rise and decline of many industries, including:

- coal and silver mining,
- ship building and the use of Alloa as a port,
- brewing,
- distilling,
- pottery, brick and tile-making,
- and especially the textile industry with its many wool-spinning and weaving mills in Alloa, Clackmannan and the Hillfoots villages.

The council owns several collections of artefacts relating to these, notably a collection from Paton's & Baldwin's Kilncraigs Mill, founded in 1814, which with its accompanying documentary archive, probably forms the most complete group of historical material from a wool-spinning mill to have been preserved in Britain.

Note 50 - Heritage Assets: Change in Accounting policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as assets within the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in Note 1 section j to the Statement of Accounts.

In applying the new accounting policy, the council has identified that assets that were previously held as infrastructure assets within property, plant and equipment worth £134,500 should now be recognised as heritage assets and measured at £492,812 with a corresponding increase of £358,312 in the Revaluation Reserve. These assets relate to Public Art commissions situated on major road junctions and footpaths throughout the county. The council will also recognise an additional £232,750 for the recognition of heritage assets that were not previously recognised in the Balance Sheet. Again, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and the 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effect of the restatement are as follows:

- At 1 April 2010 the carrying amount of the heritage assets is presented at its valuation at £725,562. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £134,500. The Revaluation Reserve has increased by £591,062.
- The fully restated Balance Sheets for 31 March 2010 and 31 March 2011 are provided on page 33. The adjustments that have been made to those Balance Sheets over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 31 March 2010

	Opening Balances 1 April 2010 (2010/11 Code)	Restatements for 2009/10	Restated Balances 1 April 2010 (2011/12 Code)
Property, Plant and Equipment	317,247	-135	317,112
Heritage Assets	-	726	726
Long Term Assets	324,991	591	325,582
Total Net Assets	50,236	591	50,827
Unusable Reserves	36,563	591	37,154
Net Worth/Total Reserves	50,236	591	50,827

Effect on Balance Sheet 31 March 2011

	Opening Balances 1 April 2011 (2010/11 Code)	Restatements for 2009/10	Restatements for 2010/11	Total restatements	Restated Balances 1 April 2011 (2011/12 Code)
Property, Plant and Equipment	306,473	-135	-20	-155	306,318
Heritage Assets	-	726	41	767	767
Long Term Assets	314,125	591	21	612	314,737
Total Net Assets	96,328	591	21	612	96,940
Unusable Reserves	82,833	591	21	612	83,445
Net Worth/Total Reserves	96,328	591	21	612	96,940

Comprehensive Income and Expenditure Statement

During the year 2010/11 there were no circumstances arising that required a restatement of any of the lines of the Comprehensive Income and Expenditure Statement other than the increase in the Revaluation Reserve of £358,312 to reflect the difference between valuation and cost of the heritage assets.

Movement in Reserves Statement - Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is represented below.

	As Previously Stated 31 March 2011 £000	As Restated 31 March 2011 £000	Restatement £000
Balance as at the end of the previous reporting period - 31 March 2010	36,563	37,154	591
Surplus of Deficit on the Provision of Services			
Other Comprehensive Income and Expenditure	24,552	24,573	21
Adjustments between the accounting basis and the funding basis under regulations	21,718	21,718	0
Increase/(decrease) in the year	46,270	46,291	21
Balance at the end of the current reporting period 31 March 2011	82,833	83,445	612

Note 51 - Trust Funds

The Council acts as sole Trustee for 8 Charitable Trusts and Endowments

	2010/11	2011/12
	£000	£000
Clackmannan District Charitable Trust	29	27
Alloa Day Home Trust	172	173
Clackmannanshire Educational Trust	31	31
William M Duncanson Legacy	9	9
J Thomas Paton's 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>270</u>	<u>269</u>

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Housing Revenue Account (HRA) Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Council's charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised is shown in the *Movement on the HRA statement*.

2010/11 £000		2011/12 £000	2011/12 £000
	Expenditure		
4,922	Repairs and maintenance	4,698	
3,509	Supervision and management	3,310	
5,109	Depreciation and impairment of non current--assets	5,312	
16	Movement in the allowance for bad debts	678	
301	Other expenditure	321	
<hr/> 13,857	Total Expenditure		<hr/> 14,319
	Income		
(13,962)	Dwelling rents	(14,675)	
(64)	Non-dwelling rents	(67)	
<hr/> (14,026)	Total Income		<hr/> (14,742)
<hr/> (169)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		<hr/> (423)
359	HRA Services' share of Corporate and Democratic Core		364
<hr/> 190	Net Cost of HRA Services		<hr/> (59)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(366)	(Gain) on sale of HRA fixed assets		(162)
1,631	Interest payable and similar charges		1,473
(23)	Interest and investment income		(30)
128	Pensions interest cost and expected return on pension assets		51
<hr/> 1,560	Deficit for the year on HRA Services		<hr/> 1,273

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Movements on the Housing Revenue Account

2010/11 <u>£000</u>		2011/12 <u>£000</u>
<u>(4,262)</u>	Balance on the HRA at the end of the previous year	<u>(3,575)</u>
1,560	Deficit for the year on the HRA Income and Expenditure Statement	1,273
(873)	Adjustments between accounting basis and funding basis under statute (Note HRA 1)	(1,878)
<u>687</u>	(Increase)/Decrease in year on the HRA	<u>(605)</u>
<u>(3,575)</u>	Balance on the HRA at the end of the current year	<u>(4,180)</u>

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Notes to the Housing Revenue Account

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

2010/11		2011/12
£'000		£'000
366	Gain on sale of HRA non-current assets	162
2,373	Capital expenditure funded by the HRA	1,884
	Transfer to/from the Capital Adjustment Account:	
(5,109)	Depreciation and Impairment	(5,312)
1,562	Repayment of Debt	1,443
(182)	HRA share of contributions to or from the Pensions Reserve	(67)
117	Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	12
(873)	Total	(1,878)

HRA 2. Housing Stock

The Council's housing stock at 31 March 2012 was 4,957 (4,980 at 31 March 2011) in the following categories:

2010/11		2011/12
Number		Number
40	One apartment	40
1,300	Two apartment	1,297
2,249	Three apartment	2,240
1,249	Four apartment	1,239
140	Five apartment	139
2	Six apartment	2
4,980	Total	4,957

HRA 3. Rent Arrears

Rent Arrears decreased during the year by £161,236 to a total of £722,656 (2010/11 - £883,892). As a percentage of gross rental income, the arrears represent 4.9% (2010/11 6.3%) which is equivalent to £145 (2010/11 - £177) per house.

A provision for bad debts of £601k was established in the year in respect of outstanding debts in relation to the recovery of overpayments of housing benefits to public sector tenants.

HRA 4. Impairment of Debtors

In 2011/12 an impairment of £547,050 (2010/11m - £649,353) has been provided in the Balance Sheet for irrecoverable rents, a decrease of £102,303 on the provision in 2010/11.

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Council Tax Income Account

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

2010/11		2011/12	2011/12
£000		£000	£000
(25,063)	Total Charges Levied		(25,105)
	Deduct:-		
707	Exemptions		793
2,401	Discounts		2,394
3,685	Council Tax Rebates	3,742	
(3,718)	Less: Government Grant	<u>(3,785)</u>	(43)
31	Relief (Persons with a Disability)		30
439	Provision for bad and doubtful debts		1,222
(21,518)	Income from Council Tax		(20,709)
(21,518)	Net Local Council Tax Income per the Comprehensive Income and Expenditure Account (Note 10)		(20,709)

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Notes to the Council Tax Income Account

CTI 1. Calculation of the Council Tax Charge Base 2011/12

	Valuation Band									Total
	A (Disabled relief)	A	B	C	D	E	F	G	H	
Total number of dwellings	0	6,324	7,229	1,977	2,437	3,137	1,789	812	46	23,751
Less exempt dwellings	0	(299)	(238)	(71)	(49)	(52)	(21)	(14)	(5)	(749)
Disabled reduction	23	36	16	23	46	13	8	1	0	166
Less adjustment for single discounts	(3)	(863)	(742)	(188)	(181)	(203)	(60)	(29)	(1)	(2,270)
Less adjustment for double discounts	0	(109)	(127)	(58)	(39)	(36)	(36)	(12)	(1)	(418)
Effective number of dwellings	20	5,089	6,138	1,683	2,214	2,859	1,680	758	39	20,480
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	11	3,392	4,774	1,496	2,214	3,494	2,427	1,263	78	19,150
Less provision for non-collection 2.5%										445
										18,705

COUNCIL TAX BASE 2011/12 (equivalent to a Council Tax of £1,148)

The product of the council tax base and the equivalent council tax charge give a budget for current year council tax income of £21.473m.

CTI 2. Council Tax Properties and Council Tax Charges

Valuation Band	Property Valuation Range	Effective Number of Dwellings	Total Council Tax Charge
A (Disabled Relief)		20	£ 637.78
A	£0 - £27,000	5,089	765.33
B	£27,001 - £35,000	6,138	892.89
C	£35,001 - £45,000	1,683	1,020.44
D	£45,001 - £58,000	2,214	1,148.00
E	£58,001 - £80,000	2,859	1,403.11
F	£80,001 - £106,000	1,680	1,658.22
G	£106,001 - £212,000	758	1,913.33
H	Over £212,000	39	2,296.00
		<u>20,480</u>	

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
National Non Domestic Rates Income Account

National Non Domestic Rates (NNDR) income is collected by local authorities, but all income is then remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to local authorities along with the Revenue Support Grant.

The table below details the actual levels of NNDR collected by Clackmannanshire Council, and the overall increase between the rates collected and the amount that the Council is entitled to receive under the National Pooling arrangement.

2010/11		2011/12	2011/12
£000		£000	£000
(15,442)	Gross Rates Levy		(16,551)
(182)	Large property Supplement		(186)
(15,624)	Rates Levied and Contributions in lieu		(16,737)
	Deduct: Reliefs, Remissions, etc.		
355	Rating (Disabled Persons) Relief		362
	Other Reliefs:-		
968	- Small Business Relief	1,092	
585	- Mandatory Relief	678	
101	- Discretionary Relief	113	
78	- Sports Club Relief	82	
0	- Rural Relief	0	
7	- Renewable Energy	7	
1,739			1,972
569	Voids and Empty Periods		596
189	Provision Against Doubtful Debts and Appeals		208
(12,772)	Total for current year		(13,599)
234	Previous Years Charge Decrease (Increase)		113
146	Adjustments for Reliefs, Remissions etc		85
0	Payment of Interest		0
377	Total for previous years		198
(12,395)	Net Non-Domestic Rate Income		(13,401)
(25)	add back :- 25% Discretionary Reliefs not offset for Pool Contribution		(28)
(12,420)	Income for Contribution to Non-Domestic Rate Pool		(13,429)
12,420	Contribution to National Non-Domestic Rate Pool		13,429
<u>(20,228)</u>	Distribution from National Non-Domestic Rate Pool		<u>(12,284)</u>
(7,808)	(Gain)/Loss from National Pool		1,145
(20,228)	Net NNDR Income per the Comprehensive Income and Expenditure Account (Note10)		(12,284)

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Notes to the National Non Domestic Rates Income Account

NDR 1. Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £ which is determined each year by the Scottish Government.

NDR 2. Rate Poundages Levied

	2010/11 p	2011/12 p
National Non-Domestic Rate	40.7	42.6
Small business relief supplement – properties valued > £35,000	0.7	0.7

NDR 3. Clackmannanshire Rateable Values

	as at 1 April 2010 £000	as at 1 April 2011 £000
Commercial	14,939	14,896
Industrial	13,796	13,969
Miscellaneous	<u>9,308</u>	<u>10,432</u>
Total	<u>38,043</u>	<u>39,297</u>

NDR 4. Number of Premises

	as at 1 April 2010	as at 1 April 2011
Commercial	906	900
Industrial	304	316
Miscellaneous	<u>337</u>	<u>330</u>
Total	<u>1,547</u>	<u>1,546</u>

**CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
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 Speirs Centre, Alloa Town Hall and West End Park all within the former burgh of Alloa. There are also currently £8k principal funds held within the Common Good Accounts.

INCOME AND EXPENDITURE ACCOUNT

31 March 2011		31 March 2012
£000		£000
<u>239</u>	Income	
	Charges for use of premises	<u>288</u>
	Expenditure	
35	Property Maintenance	25
53	Utilities	56
41	Rates	43
0	Cleaning, land services and refuse collection	22
7	Insurance	33
<u>103</u>	Depreciation	<u>109</u>
<u>239</u>		<u>288</u>
<u>0</u>	Surplus/deficit for year	<u>0</u>

BALANCE SHEET

2010/11 £000		2011/12 £000
	Long-term Assets	
3,517	Land and buildings	3,867
	Current Assets	
8	Investments	8
<u>3,325</u>	Total Assets Less Liabilities	<u>3,875</u>
1,205	Revaluation reserve	1,205
2,312	Capital Adjustment Account	2,662
8	Revenue reserve	8
<u>3,525</u>		<u>3,875</u>

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Group Financial Statements

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

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

CSBP Clackmannanshire Investments Limited
CSBP Clackmannanshire Developments Limited
Forth Valley GIS Limited
Central Scotland Joint Police Board
Central Scotland Joint Fire and Rescue Board
Central Scotland Valuation Joint Board

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council's Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) unusable reserves and group reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council. The total group reserves indicate the reserves attributable to the group once it's share of it's associates and joint ventures are included.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Ins Fund	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's share of associates	Total Reserves Attributable to Council	Joint Ventures Common Good	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	7,966	4,262	735	710	13,673	37,154	50,827	(97,309)	(46,482)	3,554	(42,928)
Movement in reserves during 2010/11											
Surplus or (deficit) on provision of services (including associates, joint ventures and tax expenses)	23,100	(1,560)	-	-	21,540	-	21,540	6,220	27,760	151	27,911
Other Comprehensive Expenditure and Income	-	-	-	-	-	24,573	24,573	9,150	33,723	-	33,723
Total Comprehensive Expenditure and Income	23,100	(1,560)	-	-	21,540	24,573	46,113	15,370	61,483	151	61,634
Adjustments between Group Accounts and Authority Accounts											
Net Increase/Decrease before Transfers	23,100	(1,560)	-	-	21,540	24,573	46,113	15,370	61,483	151	61,634
Adjustments between accounting basis and funding basis under regulations	(23,326)	873	735	-	(21,718)	21,718	-	-	-	-	-
Net Increase/Decrease before transfers to/from Earmarked Reserves	(226)	(687)	735	-	(178)	46,291	46,113	15,370	61,483	151	61,634
Transfers to/from Earmarked Reserves	1,389	-	(1,470)	81	-	-	-	-	-	-	-
Increase/Decrease in Year	1,163	(687)	(735)	81	(178)	46,291	46,113	15,370	61,483	151	61,634
Balance at 31st March 2011	9,129	3,575	-	791	13,495	83,445	96,940	(81,939)	15,001	3,705	18,706
Movement in reserves during 2011/12											
Surplus or (deficit) on provision of services (including associates, joint ventures and tax expenses)	3,282	(1,273)	-	-	2,009	-	2,009	(6,888)	(4,879)	(2)	(4,881)
Other Comprehensive Expenditure and Income	-	-	-	-	-	(13,295)	(13,295)	(2,064)	(15,359)	350	(15,009)
Total Comprehensive Expenditure and Income	3,282	(1,273)	-	-	2,009	(13,295)	(11,286)	(8,952)	(20,238)	348	(19,890)
Adjustments between Group Accounts and Authority Accounts											
Net Increase/Decrease before Transfers	3,282	(1,273)	-	-	2,009	(13,295)	(11,286)	(8,952)	(20,238)	348	(19,890)
Adjustments between accounting basis and funding basis under regulations	659	1,878	4,609	-	9,155	(7,146)	-	-	-	-	-
Net Increase/Decrease before transfers to/from Earmarked Reserves	3,941	605	4,609	-	9,155	(20,441)	(11,286)	(8,952)	(20,238)	348	(19,890)
Transfers to/from Earmarked Reserves	(3)	-	-	3	-	-	-	-	-	-	-
Increase/Decrease in Year	3,938	605	4,609	3	9,155	(20,441)	(11,286)	(8,952)	(20,238)	348	(19,890)
Balance at 31st March 2012	13,067	4,180	4,609	794	22,650	63,004	85,654	(90,891)	(5,237)	4,053	(1,184)

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Council's raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement of Reserves Statement. The Group statement includes the Council's share of it's associates and joint ventures accounted for on an equity basis and any tax expenses associated with them.

2010/2011				2011/2012		
Gross Expend £000	Gross Income £000	Net Expend £000		Gross Expend £000	Gross Income £000	Net Expend £000
1,508	95	1,413	Central Services to the Public	1,839	604	1,235
8,070	1,426	6,644	Cultural and Related Services	8,038	1,873	6,165
53,165	2,044	51,121	Education Services	49,543	1,568	47,975
3,887	227	3,660	Roads and Transport Services	3,596	102	3,494
37,162	34,304	2,858	Housing Services	39,279	36,446	2,833
4,720	2,169	2,551	Planning and Development Services	3,047	838	2,209
36,495	9,361	27,134	Social Work	35,923	9,545	26,378
6,703	1,348	5,355	Environmental Services	6,745	993	5,752
4,132	196	3,936	Police Services	4,149	128	4,021
2,741	0	2,741	Fire Services	2,658	0	2,658
3,101	798	2,303	Corporate and democratic core	2,105	0	2,105
(20,583)	0	(20,583)	Non distributed costs	837	0	837
17,791	23,922	(6,131)	Associates and Joint Ventures	21,468	14,601	6,867
158,892	75,890	83,002	Cost of Services	179,227	66,698	112,529
		(812)	Other Operating Expenditure (Note 8)			2,426
		11,813	Financing and Investment Income and Expenditure (Note 9)			10,279
		(121,674)	Taxation and Non-Specific Grant Income (Note 10)			(120,376)
		3	Tax Expenses			3
		(27,668)	(Surplus) or Deficit on Provision of Services			4,861
		(21)	Surplus or deficit on revaluation of fixed assets			(133)
		(24,552)	Actuarial gains/losses on pension assets/liabilities (Note 28)			13,428
		(9,275)	Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures			2,185
		(33,848)	Other Comprehensive Income and Expenditure			15,480
		(61,516)	Total Comprehensive Income and Expenditure			20,341

CLACKMANNANSHIRE COUNCIL
FINANCIAL STATEMENTS 2011/12
Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. It also includes the share of the reserves of it's associates and joint ventures attributable to the Council. These are included as a separate category of reserve. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in three categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on the their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The third category of reserves is group reserves and this equals the Council's share of assets and liabilities included in the Balance Sheet.

1 April 2010	31 March 2011		31 March 2012
Restated #	Restated #		
£000	£000		£000
320,512	309,835	Property, Plant & Equipment	305,775
726	767	Heritage Assets	833
6,239	5,759	Investment Property	5,383
524	455	Intangible Assets	404
1,222	1,688	Long-term investments and investments in associates and joint ventures	6,443
13	12	Long-term Debtors	4
329,236	318,516	Long-term Assets	318,842
440	471	Inventories	524
12,022	10,637	Short Term Debtors	9,836
8,916	15,514	Assets held for sale	4,639
0	0	Short Term Investments	10,000
9,291	17,460	Cash and Cash Equivalents	20,868
30,669	44,082	Current Assets	45,867
(2,607)	(1,758)	Short Term Borrowing	(6,463)
(18,513)	(19,948)	Short Term Creditors	(22,035)
(570)	(826)	Provisions	(72)
(21,690)	(22,532)	Current Liabilities	(28,570)
(2,528)	(2,778)	Provisions	(422)
(125,513)	(125,524)	Long-term Borrowing	(121,542)
(97,408)	(82,013)	Liabilities in associates and joint ventures	(90,958)
(155,694)	(111,045)	Other Long-term Liabilities	(124,401)
(381,143)	(321,360)	Long-term Liabilities	(337,323)
(42,928)	18,706	Net Assets (Liabilities)	(1,184)
13,673	13,495	Usable reserves	22,650
37,154	83,445	Unusable Reserves	63,004
(93,755)	(78,234)	Group Reserves	(86,838)
(42,928)	18,706	Total Reserves	(1,184)

see note GRP1 below

Nikki Bridle
Director of Finance and Corporate Services
28 September 2012

CLACKMANNANSHIRE COUNCIL FINANCIAL STATEMENTS 2011/12

Notes to the Group Financial Statement

GRP 1 Group Accounting Policies

The group accounting policies are those specified for the Council financial statements. The accounting policies of all group members are materially the same as those of the single entity. The Code of Practice required the Council to separately account for Heritage Assets in the Balance Sheet for the first time. The impact of these changes on the Council for previous years are detailed in Note 50 in the main Accounts. These changes also impact on the Group Financial Statement for previous years.

Where group members are not required to prepare their financial statements on an IFRS basis consolidation adjustments, where material, have been made.

GRP 2 Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Financial Statements.

A full set of Group Financial Statements with the exception of a Cash Flow Statement, has been prepared which incorporates material balances from identified associates. A Group Cash Flow is not provided as it is not materially different to the single entity Cash Flow Statement on page 34.

The Financial Statements are prepared in accordance with the Accounting Policies set out on pages 37-50.

GRP 3 Financial Impact of Consolidation

The effect of inclusion of the Associate, Joint Venture and Common Good entities on the Group Balance Sheet is to reduce both the Reserves and Net Assets by £86.838m. The main reason for this reduction is due to the inclusion of the pension fund deficits attributable to the Police and Firefighters pension schemes.

GRP 4 Group Entities

The Group Accounts consolidate the results of the Council with six other entities. For the purpose of consolidation and incorporation within the Group Accounts recognition has been made of the Council's its minority interests in the four associate organisations and two joint venture companies.

The Balance Sheet of the Common Good Fund (page 102) has also been consolidated in full.

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%
- Forth Valley GIS Ltd -- 33.3%

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 end for these entities is the 31 March 2012.

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

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. With regard to Forth Valley GIS Ltd as no consideration was paid for the interest, there is no requirement to account for goodwill.

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

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

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

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

GRP 5 Non-Material Interest in Other Entities

The Council also has an interest in SEEMIS Limited Liability Partnership. This is a partnership of 28 Council's in respect of a school pupil information database. The Council's share in this partnership is 1.22% and is based on a share of our actual subscription paid of £42,539. The financial results of the organisation have not been consolidated into the Council's Group Accounts as the amounts are not material.

The Council also has an interest in Scotland Excel. This is a partnership of 32 Council's in respect of securing efficiencies in procurement. The Council's share in this partnership is 1.37% and is based on a share of our actual subscription paid of £45,113. The financial results of the organisation have not been consolidated into the Council's Group Accounts as the amounts are not material.

GRP 6 Associates

The following disclosures are required under IFRS because the Council share of the net liabilities of the Joint Boards exceeds 15%. The aggregate share of these entities are noted below.

	Total 2010/11 £000	Police £000	Fire £000	Valuation £000	FVGIS £000	Total 2011/12 £000
Turnover	15,270	10,467	2,823	435	453	14,178
Fixed Assets	9,431	5,450	3,252	2	36	8,740
Current Assets	1,409	852	686	99	178	1,815
Liabilities due within one Year	(1,043)	(608)	(174)	(37)	(211)	(1,030)
Liabilities due after one year or more	(94,631)	(77,458)	(25,199)	(703)	(58)	(103,418)

GRP 7 Joint Ventures

The following disclosures are required under IFRS because the Council share of the two Joint Venture companies exceeds 25%. The share of each of these entities are noted below.

CSBP Clackmannanshire Investment Company

	2010/11 £000	2011/12 £000
Turnover	23	1
Profit/(loss) before tax	11	(6)
Taxation	3	3
Fixed Assets	0	0
Current Assets	308	294
Liabilities due within one year	(46)	(41)
Liabilities due after one year or more	0	0

CSBP Clackmannanshire Development Company

	2010/11 £000	2011/12 £000
Turnover	82	62
Profit/(loss) before tax	26	7
Taxation	0	0
Fixed Assets	0	0
Current Assets	1,384	1,544
Liabilities due within one year	(1,459)	(1,611)
Liabilities due after one year or more	0	0

Reconciliation of the Deficit on the Council's' Single Entity Income and Expenditure Account to the Group Income and Expenditure Deficit.

	2010/11	2011/12
	£000	£000
Deficit/(Surplus) on the year on the Council Income & Expenditure Account	(46,113)	11,285
Distributions from subsidiary included in the Council Income & Expenditure Accounts for the year	0	0
	(46,113)	11,285
Deficit/(Surplus) on the Group Income & Expenditure Accounts attributable to the Council		
Deficit/(Surplus) for the year attributable to group entails:		
Associates	15,370	9,054
Joint Ventures	(33)	2
Deficit/(Surplus) for the year on the Group Income and Expenditure Account	(61,516)	20,341

GRP 8 Pension Assets and Liabilities

The underlying assets and liabilities for retirement benefits as at 31 March 2012 attributable to the Council and its share of associates are as follows

	Clackmannanshire Council	Police Joint Board	Fire Joint Board	Valuation Joint Board	Forth Valley GIS Ltd
	£000s	£000s	£000s	£000s	£000s
Estimated liabilities in Local Government Pension Scheme	(226,398)	(5,424)	(1,615)	(2,401)	(741)
Estimated liabilities in Police Pension Scheme	-	(69,678)	-	-	-
Estimated liabilities in Firefighters Pension Scheme	-	-	(23,673)	-	-
Estimated liabilities arising from unfunded discretionary benefits	(17,909)	(40)	(9)	-	-
Estimated assets in Local Government Pension Scheme	168,050	4,343	1,228	1,698	683
Net asset/(liability)	(76,257)	(70,799)	(24,069)	(703)	(58)

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

We have audited the financial statements of Clackmannanshire Council and its group for the year ended 31 March 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only movement in reserves statements, comprehensive income and expenditure statements, balance sheets, and the authority-only cash-flow statement, housing revenue account, council tax income account, and the non-domestic rates income account, common good and the related notes 1 to 51. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

This report is made solely to the members of Clackmannanshire Council as a body and the Accounts Commission for Scotland, in accordance with Part VII of the Local Government (Scotland) Act 1973. Our audit work has been undertaken so that we might state to the members of Clackmannanshire Council as a body and the Accounts Commission for Scotland those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of Clackmannanshire Council as a body and the Accounts Commission for Scotland, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities set out on page 12, the Responsible Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of the group and of the body as at 31 March 2012 and of the income and expenditure of the group and the body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.



Deloitte LLP
Appointed Auditor
Glasgow,
United Kingdom
28 September 2012

