



**Clackmannanshire  
Council**

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Comhairle Siorrachd  
Chlach Mhanann

Kilncraigs, Greenside Street, Alloa, FK10 1EB (Tel.01259-450000)

## **Audit Committee**

**Thursday 4 February 2021 at 9.30 am**

**The meeting will be held by  
Video Conference (MS Teams)**

Date	Time
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## **Audit Committee**

The remit of the Audit Committee is:

To ensure that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it.

In relation to the authority's internal audit functions:

- oversee its independence, objectivity, performance and professionalism
- support the effectiveness of the internal audit process
- promote the effective use of internal audit by approving the annual Internal Audit Plan

To consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations

To monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption

To consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control

To support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process

To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

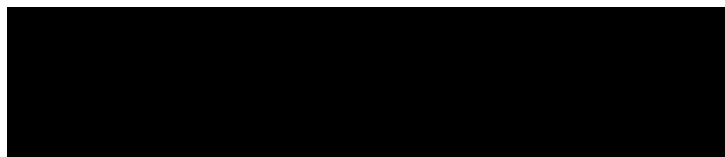
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**27 January 2021**

**A MEETING of the AUDIT COMMITTEE will be held via VIDEO CONFERENCE (MS TEAMS), on THURSDAY 4 FEBRUARY 2021 at 9.30 am.**



**STUART CRICKMAR**  
**Strategic Director (Partnership & Performance)**

**B U S I N E S S**

	<b>Page no.</b>
1. Apologies	--
2. Declaration of Interests Members should declare any financial or non-financial interests they have in any item on this agenda, identifying the relevant agenda item and the nature of their interest in accordance with the Councillors' Code of Conduct. A Declaration of Interest form should be completed and passed to the Committee Officer.	--
3. Confirm Minutes of Meeting of the Audit Committee held on 3 December 2020 (Copy herewith)	05
4. Council Financial Performance 2020/21 – October Outturn – report by the Chief Finance Officer (Copy herewith)	11
5. Review of Risk Register – report by the Senior Manager, Legal & Governance (Copy herewith)	41
6. Audit Committee Forward Plan 2021/22– report by Strategic Director, Partnership & Performance (Copy herewith)	57
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8. Annual report to those charged with Governance and the Controller of Audit for Financial Year Ended 2019-20 – report by the Chief Finance Officer (Copy herewith)	239

## Audit Committee – Committee Members (Membership 8 - Quorum 4)

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### Councillors

### Wards

Councillor	Martha Benny (Convenor)	2	Clackmannanshire North	CONS
Councillor	Dave Clark (Vice Convenor)	2	Clackmannanshire North	LAB
Councillor	Tina Murphy	1	Clackmannanshire West	SNP
Councillor	Helen Lewis	2	Clackmannanshire North	SNP
Councillor	Derek Stewart	3	Clackmannanshire Central	LAB
Councillor	Chris Dixon	4	Clackmannanshire South	IND
Councillor	Ellen Forson	4	Clackmannanshire South	SNP
Councillor	Dennis Coyne	5	Clackmannanshire East	CON

The Council agreed that the Convenor of the Audit Committee will rotate between the 2 Opposition parties on an annual basis.





**MINUTES OF MEETING of the AUDIT COMMITTEE held within the Council Chamber,  
Kilncraigs, Greenside Street, ALLOA, FK10 1EB, on THURSDAY 3 DECEMBER 2020 at  
9.30 am.**

**PRESENT**

Councillor Martha Benny (Convenor)  
Councillor Dave Clark (Vice Convenor)  
Councillor Ellen Forson  
Councillor Darren Lee  
Councillor Helen Lewis  
Councillor Derek Stewart

**IN ATTENDANCE**

Stuart Crickmar, Strategic Director (Partnership & Performance)  
Pete Leonard, Strategic Director (Place)  
Lindsay Sim, Chief Finance Officer (Partnership & Performance)  
Chris Alliston, Senior Manager, HR and Workforce Development (Partnership & Performance)  
Cherie Jarvie, Partnership and Transformation (Partnership & Performance)  
Graham Templeton, Internal Audit Officer (Partnership & Performance)  
Derek Barr, Procurement Manager (Partnership & Performance)  
Lindsay Thomson, Senior Manager, Legal and Governance (Partnership & Performance)  
(Clerk to the Committee)  
Gillian White, Committee Services, Legal and Governance (Partnership & Performance)

The Convenor welcomed Councillor Denis Coyne to his first meeting of the Audit Committee.  
Councillor Coyne was attending the Committee as an observer.

**AC(20)07      APOLOGIES**

Apologies for absence were received from Councillor Chris Dixon and Councillor Tina Murphy.

**AC(20)08      DECLARATIONS OF INTEREST**

None.

**AC(20)09      CONFIRM MINUTES OF MEETING HELD 6 FEBRUARY 2020**

The minutes of the Meeting of the Audit Committee held on 6 February 2020 were submitted for approval.

**Decision**

The minutes of the Meeting of the Audit Committee held on 6 February 2020 were agreed as a correct record and signed by the Convenor.

## **AC(20)10 COUNCIL FINANCIAL PERFORMANCE 2020/21 – AUGUST OUTTURN**

The report, submitted by the Chief Finance Officer, provided an update on the financial performance for the Council, as at August 2020, in respect of the General Fund (GF) revenue and capital spend and the achievement of savings to date, for the current financial year, 2020/21; and the Housing Revenue Account (HRA) revenue and capital spend, for the current financial year, 2020/21.

### **Motion**

That Committee agrees the recommendations set out in the report.

Moved by Councillor Darren Lee. Seconded by Councillor Martha Benny.

### **Decision**

Having commented on and challenged the report, the Committee agreed to:

1. Note that the GF revenue spend is forecasting an overspend of £2.220m for the year to 31 March 2021;
2. Note that the Clackmannanshire element of the Health and Social Care Partnership (H&SCP) is forecasting an underspend for the year of £(0.091)m;
3. Note the HRA forecasted revenue surplus over budgeted surplus for the year of £(1.307m) to 31 March 2021;
4. Note that the Capital programme for HRA is currently forecasting an underspend of £(2.110)m;
5. Note the General Fund Capital Programme underspend of £(1.956)m, and
6. Note the progress to date in delivering the £3.343m savings programme, currently forecast to be 87.3%, as at 31 March 2021; and
7. Approve the referral to Council for approval of additional capital budget of £0.100m to support the Bowmar Regeneration project as set out in para 6.4 and 6.5 of the report.

### **Action**

Chief Finance Officer

## **AC(20)11 INTERNAL AUDIT UPDATE REPORT**

The report, submitted by the Internal Audit Manager, provided an update on 2020/21 Internal Audit work.

### **Motion**

That Committee agrees the recommendations set out in the report.

Moved by Councillor Dave Clark. Seconded by Councillor Darren Lee.

### **Decision**

The Committee agreed to note progress with completing planned 2020/21 Internal Audit work; and the outcomes of COVID-19 specific Internal Audit work.

## **AC(20)12      INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2019/20**

The report, submitted by the Internal Audit Manager, provided an overall assurance on the Council's arrangements for risk management, governance, and control, based on Internal Audit work undertaken during 2019/20.

### **Motion**

That Committee agrees the recommendations set out in the report.

Moved by Councillor Martha Benny. Seconded by Councillor Helen Lewis.

### **Decision**

The Committee agreed to note that:

1. Sufficient Internal Audit work was undertaken to support a balanced assurance;
2. Internal Audit can provide **SUBSTANTIAL** assurance on the Council's arrangements for risk management, governance, and control for the year to 31 March 2020; and
3. Internal Audit met, or exceeded, each of its Key Performance Indicators.

## **AC(20)13      INTERNAL AUDIT PLAN 2020/21**

The report, submitted by the Internal Audit Manager, presented a 2020/21 Internal Audit Plan for approval.

### **Motion**

That Committee agrees the recommendations set out in the report.

Moved by Councillor Dave Clark. Seconded by Councillor Darren Lee.

### **Decision**

The Committee agreed to:

1. Note the resources available to Internal Audit;
2. Note that the plan is indicative and flexible;
3. Approve the Internal Audit Plan for 2020/21; and
4. Note that assignments not completed during 2020/21 will be carried forward into 2021/22.

### **Action**

Internal Audit Manager

#### **AC(20)14      INTERNAL AUDIT CHARTER**

The report, submitted by the Internal Audit Manager, sought approval of an updated Internal Audit Charter. The Charter sets out the role, authority, and responsibility of the Internal Audit team.

##### **Motion**

That Committee agrees the recommendations set out in the report.

Moved by Councillor Dave Clark. Seconded by Councillor Helen Lewis.

##### **Decision**

Having considered the report, the Committee agreed to approve the Internal Audit Charter as set out in Appendix 1 to the report.

##### **Action**

Internal Audit Manager

#### **AC(20)15      EXCEPTIONS FROM THE APPLICATION OF CONTRACT STANDING ORDERS**

It is a requirement of Contract Standing Orders that exceptions should be reported to the next available Audit Committee. The purpose of report, submitted by the Strategic Director (Partnership & Performance) was to provide detail on Exceptions to Contract Standing Orders submitted in the previous quarter.

##### **Motion**

That Committee agrees the recommendations set out in the report.

Moved by Councillor Martha Benny. Seconded by Councillor Derek Stewart.

##### **Decision**

Having commented on and challenged the report, the Committee agreed to note the report.

#### **AC(20)16      PROCUREMENT ANNUAL REPORT**

The Procurement Reform (Scotland) Act 2014 Section 18 states that the Council must prepare an annual procurement report on its regulated procurement activities as soon as reasonably practicable after the end of the financial year. The report, submitted by the Strategic Director (Partnership & Performance) updated the committee on key procurement activity and statistical performance during the Financial Year 2019-20 and provided an overview of the resources that are available to deliver effective procurement.

##### **Motion**

That Committee agrees the recommendations set out in the report.

Moved by Councillor Ellen Forson. Seconded by Councillor Helen Lewis.

##### **Decision**

Having commented on and challenged the report, the Committee agreed to note the report.

## **AC(20)17      ANNUAL COMPLAINTS REPORT 2019/20**

The report, submitted by the Senior Manager, Legal and Governance, presented an overview of performance in relation to complaints handling during 2019/20.

### **Motion**

That Committee agrees the recommendations set out in the report.

Moved by Councillor Dave Clark. Seconded by Councillor Darren Lee.

### **Decision**

Having commented on and challenged the performance of Council services in handling complaints, the Committee agreed to note the report.

## **AC(20)18      NATIONAL AND LOCAL SCRUTINY PLANNING**

At this point in the year Audit Committee would normally consider the National Scrutiny Plan. Covid-19 however has changed all our lives; responding to it has changed the way public services are delivered and how they are scrutinised. Given this, the Strategic Scrutiny Group published a report in November 2020 outlining its scrutiny approach in context of the Covid-19 pandemic. Additionally, in August 2020, Audit Scotland published a report entitled: *Covid19 – A guide for audit and risk committees*.

The purpose of this report, submitted by the Strategic Director (Partnership & Performance), is to make the Audit Committee aware of both reports, and to sought agreement to review its forward plan in consideration of these, and in light of the ongoing Covid-19 pandemic.

### **Motion**

That Committee agrees the recommendations set out in the report.

Moved by Councillor Dave Clark. Seconded by Councillor Derek Stewart.

### **Decision**

The Committee agreed:

1. To note the Strategic Scrutiny Group's scrutiny responses to Covid-19;
2. To note Audit Scotland's report, *Covid19 – A guide for audit and risk committees*; and
3. That the Audit Committee forward plan will be reviewed for consideration at its next meeting in light of paragraphs 2.1.1 and 2.1.2 (as set out in the report) and the ongoing Covid 19 pandemic.

### **Action**

Strategic Director  
Partnership & Performance

Ends 10:35 hrs



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**Report to: Audit Committee**

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**Date of Meeting: 4 February 2021**

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**Subject: Council Financial Performance 2020/21 – October Outturn**

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**Report by: Chief Finance Officer**

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## **1.0 Purpose**

- 1.1 This paper provides an update on the financial performance for the Council, as at October 2020, in respect of the:
- General Fund (GF) revenue and capital spend and the achievement of savings to date, for the current financial year, 2020/21, and
  - Housing Revenue Account (HRA) revenue and capital spend, for the current financial year, 2020/21.

## **2.0 Recommendations**

- 2.1 Committee is asked to note the report, commenting and challenging as appropriate on:
- 2.1.1 General Fund revenue spend is forecasting an overspend of £2.184m for the year to 31 March 2021;
- 2.1.2 the Clackmannanshire element of the Health and Social Care Partnership (H&SCP) is forecasting an underspend for the year of £(0.090)m;
- 2.1.3 the HRA forecasted revenue surplus over budgeted surplus for the year of £(1.515m) to 31 March 2021;
- 2.1.4 the Capital programme for HRA is currently forecasting an underspend of £(2.255)m;
- 2.1.5 the General Fund Capital Programme is currently forecasting an underspend of £(3.534)m, and
- 2.1.6 progress to date in delivering the £3.343m savings programme, currently forecast to be 90.3%, as at 31 March 2021.
- 2.2 Committee is asked to approve;
- 2.2.1 referral to Council for approval a virement within the General Fund Capital budget for learning estate projects as set out in paragraph 6.4.

### **3.0 Background**

- 3.1 This report summarises the forecasted financial position of the Council for the financial year ended 31 March 2021. This report consolidates all of the detailed financial data for each Directorate to provide a summary position. The report also provides details of individual Directorate positions.

### **4.0 General Fund Revenue**

- 4.1 As at 31 October 2020 the General Fund is forecasting an overspend of £2.184m and the Clackmannanshire element of the H&SCP is forecasting an underspend of £(0.090)m, which brings the Council's overall position to a net overspend of £2.094m for the year to March 2021.
- 4.2 Included within the General Fund forecasted overspend is a forecast for under achievement of income as a result of restrictions due to Covid19. At the end of quarter 2, the actual loss of income was £0.953m. The Scottish Government had set aside £90m for this purpose however, returns from all Local Authorities well exceeded the amount available and only 40% of amounts claimed have been funded. For the Council this equated to £0.378m which has been included in the forecast. This leaves an unfunded underachievement of income at the end of quarter 2 of £0.575m.
- 4.3 Due to further lockdown restrictions, a further loss of income of is forecast for quarters 3 and 4. The Scottish Government have indicated that further funding may be available which would reduce the forecasted overspend.
- 4.4 **Appendix 1** provides the breakdown by each Directorate and centrally held Corporate along with the position for Partnerships and Sources of Funding. Detailed variance analysis has been provided to each portfolio holder but has not been reported to the relevant Committees at this time.

**Appendices 2, 3 and 4** provide a summary by Directorate and detailed variance analysis at October 2020 as these have not been reported to their respective Committees.

### **5.0 Clackmannanshire & Stirling Health and Social Care Partnership (H&SCP)**

- 5.1 The Clackmannanshire element of the H&SCP is forecasting an underspend of £(0.090)m this is in line with the underspend previously reported People Committee on 26 November 2020.
- 5.2 Detail of the forecast variances that make up this underspend are shown in **Appendix 5** which has been provided to the partnership for inclusion in their consolidated financial report up to the end of October 2020.
- 5.3 Key variances are summarised as follows:
- £(0.937)m underspend on employee costs due to vacancies;



- £(0.545)m underspend on Nursing Homes due to a reduction in occupied nursing home places;
- £1.173m overspend on Care at Home due to an increase in weekly hours provided, this has reduced due to reallocation of growth funding previously held centrally in miscellaneous third party payments;
- £0.209m overspend on Misc Third party Payments to other agencies, and
- £0.221m shortfall in income due to less people being in short term care.

- 5.4 This forecast is subject to a significant degree of uncertainty owing to Covid19. Whilst the forecast is based on current commitments and activity levels, these are subject to change depending on the future course of the pandemic and the future configuration and design of services aligned to the partnerships strategic priorities.

The forecast assumes that service volumes will continue at their current levels but any further increases in activity levels will directly impact forecast expenditure. In addition the forecast does not include support payments to care providers and other exceptional costs relating to Covid19 that are being managed centrally through the Partnership and charged to the Local Mobilisation Plan (LMP) Funding being received from Scottish Government.

The key issue for the Partnership will be to what extent the additional funding provided through the Mobilisation Fund will fully meet the additional costs associated with Covid19 including the impact on the Transforming Care Programme and associated savings delivery. Clarity on this point continues to be sought from the Scottish Government.

- 5.5 Budgets will look to be realigned to reflect changing demands on categories of care.

## 6.0 General Fund Capital

- 6.1 General Fund capital is forecasting an underspend of £(3.534)m to March 2021. **Appendix 10** provides details of the forecast spend to 31 March 2021 and variances.

- 6.2 Due to the current Covid19 pandemic a number of capital projects have been identified, reprioritised and re-phased into future years whilst some others are at risk of slippage into 2021/22:

- City Deal;
- Village and Small Town – Alva;
- School Estate - Tullibody South Campus;
- Clackmannanshire Regeneration ;
- Road Management Strategy;
- Social services system;
- Digital Infrastructure; and
- Bowmar Community Hub.

The budgets for these projects will be reviewed as part of the 2021/22 budget setting process and any underspends from 2020/21 will be carried forward into future years if required.

6.3 Tullibody South Campus is currently forecasting an underspend of £0.840m against budget, however early indications from the contractor are that there may be additional costs.

6.4 The following projects are forecasting overspends to 31 March 2021:

- Clackmannan Primary School Refurbishment/Locality Hub of £0.019m; and
- Menstrie Primary School - School Development £0.191m.

These overspends are mainly as a result of phasing between the learning estate projects. As such a virement is proposed from the Tullibody South Campus project to offset these overspends.

Committee is asked to refer to Council for approval a virement of £0.210m between project 10017 and projects 10024 and 10121.

6.5 A summary of the projected outturn position for each of the Asset plans with main variances are shown in the table below.

**Table 1 – General Fund Capital Budget Variances**

Asset Management Strategy	Budget	Projected to 31 March 2021	Over / (under) Spend	Main Variances
	£m	£m	£m	
<b>Corporate</b>	13.706	10.097	(3.609)	The main projects relating to Corporate Assessment Management Strategy underspend of £3.375m are: <ul style="list-style-type: none"> <li>• City Deal with a £0.600m forecast underspend;</li> <li>• Small Town and Village Alva forecasting a £1.321m underspend;</li> <li>• £0.840m underspend forecast on Tullibody South Campus; and</li> <li>• £0.529m underspend forecast on Clackmannanshire Regeneration.</li> </ul>
<b>Property</b>	1.326	0.729	(0.598)	The majority of the variance relates to the £0.530m forecast underspend on Bowmar Hub.
<b>Roads</b>	3.058	2.768	(0.290)	Underspend on four projects: Flood Prevention (£0.077m underspend); Cycle Routes (£0.075m underspend); Bridge Improvements (£0.043m underspend); and parking

Asset Management Strategy	Budget	Projected to 31 March 2021	Over / (under) Spend	Main Variances
	£m	£m	£m	
				management scheme (£0.095m). Virement of underspend on the parking management scheme to Bowmar Hub approved at the previous meeting of the Audit Committee.
<b>Land</b>	0.030	0.029	(0.001)	Forecasted slightly under budget.
<b>Fleet</b>	1.998	1.998	0.000	Forecasted on budget.
<b>IT</b>	1.978	0.915	(1.064)	£1.064m underspend on IT Asset Management Strategy is due to the following projects: <ul style="list-style-type: none"> <li>• Social services system (£0.394m underspend); and</li> <li>• Digital Infrastructure (£0.668m underspend).</li> </ul>
<b>Gross Capital Expenditure</b>	<b>22.151</b>	<b>16.590</b>	<b>(5.561)</b>	
<b>Income</b>	(9.499)	(7.473)	2.026	Underspend relates to grant funding received for Bowmar Hub (£0.530m) and Sustrans Places for Everyone (£0.889m). Discussions with Scottish Government are in progress to determine whether the grant for Bowmar Hub can be carried forward into 2021/22 if the expenditure has been committed. Sustran funding permits the expenditure in 2021/22.
<b>Net Capital Programme</b>	<b>12.651</b>	<b>9.117</b>	<b>(3.534)</b>	

6.6 An additional project has been incorporated into the capital programme for 2020/21. Bus Priority Rapid Development Fund (BPRDF) grant funding of £0.055m has been awarded to the Council for the following three projects:

- pilot scheme to restrict the flow and speed of vehicles entering roundabout from the right off Auld Brig Road and give bus priority;
- build out a temporary bus stop on Tullibody Road which has access/egress issues due to parked vehicles; and
- temporary measures to restrict car parking on sections of road where parked vehicles are preventing buses from being able to fully access their route.

## 7.0 Progress on 2020/21 Approved Savings

- 7.1 At its budget meeting in February 2020, Council approved savings of £3.343m. The table below shows the split of these savings across Directorates and indicates the forecasted achievement of those savings by 31 March 2021.

**Table 1: General Services Revenue Budget 2020/21 distribution of planned savings by directorate and forecasted achievement.**

Directorate	Approved Savings 2020/21 £'000	Achieved/ Likely to be achieved £'000	At risk £'000	Unlikely to be achieved £'000	Unlikely to be achieved due to Covid £'000
<b>People</b>	1,345	1,314	31	-	-
<b>Place</b>	1,187	1,027	-	160	160
<b>Partnership &amp; Performance</b>	811	678	73	60	60
<b>Total</b>	<b>3,343</b>	<b>3,019</b>	<b>104</b>	<b>220</b>	<b>220</b>
		<b>90.3%</b>	<b>3.1%</b>	<b>6.6%</b>	<b>6.6%</b>

- 7.2 The above table indicates that 90.3% of savings have been or are likely to be achieved, with a further 9.7% at risk or unlikely to be achieved in 2020/21. This is an improvement of 3% since last reported, main movements are:

- PLGM2- Grounds maintenance income £0.076m previously reported as unachievable
- P&PHMHB1- Rent rebates/allowances income £(0.025)m, improved position

The achievement of savings has been significantly impacted by the Covid19 pandemic with £0.220m unachieved as a result. Further detail of progress on individual savings within each directorate is provided in **Appendix 9**.

- 7.3 Managers are working towards achieving the approved level of savings or identifying compensatory savings to ensure a balanced budget.

## 8.0 Financial Risks

The forecasts provided above are based on information currently available. The Covid19 pandemic has had a significant impact on the councils financial position; increased and additional costs, loss of income, the ability to achieve savings offset by some small savings from Services that are not being fully delivered.

Fluctuations in forecasts are to be expected throughout the year as the current situation develops and further updates will be brought to Council as required.

## **9.0 Housing Revenue Account (HRA)**

### **9.1 Revenue**

The HRA Revenue account is forecasting a surplus of £(6.687)m which is £(1.515)m above the budgeted surplus. **Appendix 6** provides details of the forecasted spend to 31<sup>st</sup> March 2021 with details of variances in **Appendix 7**.

Arrears and rental income are being closely monitored for any further impact on the expected surplus.

### **9.2 Capital**

9.3 The HRA Capital Programme is forecast to underspend by £(2.255)m against a budget of £8.665m inclusive of carry forwards from 2019/20.

9.4 **Appendix 8** provides details of the approved budgets and forecast on the HRA capital programme for the current year. This provides detail of the individual projects within the various asset management plans.

9.5 The underspends and main programme updates are as follows (still subject to further Covid restrictions and engagement with tenant base as any localised lockdown could significantly impact this outturn):

Roof and Render – works fully back on track and expect to be fully spent.

Alva Weir Multicon – Contractor taking forward two pilot homes, this will require a report to council for further governance to complete the remaining homes.

Window Replacement - the Contractor has confirmed they can supply an additional two teams to work towards installing the majority of windows in this years programme. This will half the timescale (subject to winter weather) for completion.

Fencing and gates – programme on track and expected to fully spend the budget.

Kitchen Replacement Programme – This programme has been suspended. The work is carried out by our own tradespeople. This means that at present an underspend of £(0.950)m is forecast which also impacts on the income achieved within the HRA revenue account.

Asbestos Removal Works – The reduced amount of Electrical testing being undertaken this year will impact the ability to spend this budget.

Door entry spend is at risk, as procurement renewal required for new contract, underspend £(0.190)m.

Travelling person site – report from March Council delayed, there was a report scheduled to Council 10 December to ensure appropriate governance. Underspend £(0.240)m.

Off the Shelf Purchase – Due to current market conditions and availability of suitable properties, this budget will not be fully spent. At present is it forecast to underspend by £(0.203)m.

MCB Tenant Community Improvement Fund – This project is delayed due to capacity to deliver projects, underspend £(0.100)m..

Demolitions – This project is on hold due to current conditions, but the master plan is currently being worked on. Underspend £(0.150)m.

Aids & Adaptations – There is a backlog of work with this project, therefore the budget will not be fully spent. This work is difficult to carry out due to the Covid19 risk to the tradespeople. Underspend £(0.080)m.

Safe Electrical Systems – Compliance will require using our own resources in voids. Underspend of £(0.300)m.

## **10.0 Conclusions**

- 10.1 General Fund revenue spend is forecasting an overspend of £2.184m for the year to 31 March 2021.
- 10.2 The Clackmannanshire element of the H&SCP is forecasting an underspend of £(0.090)m for the year to 31 March 2021.
- 10.3 The Housing Revenue Account (HRA) revenue is forecasting a surplus over budget for the year of £(1.515)m to 31 March 2021.
- 10.4 The GF Capital programme is forecasting an underspend of £(3.534)m.
- 10.5 The HRA Capital programme is forecasting an underspend of £(2.255)m.
- 10.6 Of the £3.343m approved savings programme, as at 30 June 2020, 90.3% are forecast to be achieved.

## **11.0 Sustainability Implications**

- 11.1 There are no direct environmental sustainability implications arising from this report.

## **12.0 Resource Implications**

### **12.1 Financial Details**

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

12.3 Finance has been consulted and has agreed the financial implications as set out in the report. Yes ☒

12.4 *Staffing*

12.5 There are no direct staffing implications arising from this report.

### 13.0 Exempt Reports

13.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

### 14.0 Declarations

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

(1) **Our Priorities** (Please double click on the check box ☒)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all	<input type="checkbox"/>
Our families; children and young people will have the best possible start in life	<input type="checkbox"/>
Women and girls will be confident and aspirational, and achieve their full potential	<input type="checkbox"/>
Our communities will be resilient and empowered so that they can thrive and flourish	<input type="checkbox"/>

(2) **Council Policies** (Please detail)

### 15.0 Equalities Impact

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

### 16.0 Legality

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

### 17.0 Appendices

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

- Appendix 1 - Council Summary at October 2020
- Appendix 2 - People Summary & Variances at October 2020
- Appendix 3 - Place Summary & Variances at October 2020
- Appendix 4 - P&P Summary & Variances at October 2020
- Appendix 5 - HSCP Variances at October 2020
- Appendix 6 - HRA Revenue Outturn at October 2020
- Appendix 7 - HRA Variances at October 2020
- Appendix 8 - HRA Capital Outturn at October 2020
- Appendix 9 - Summary Savings by Directorate at October 2020
- Appendix 10 - General Fund Capital Outturn at October 2020

## 18.0 Background Papers

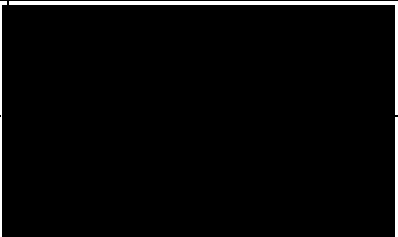
18.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☒

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Elizabeth Hutcheon	Management Accountancy Team Leader	6214

### Approved by

NAME	DESIGNATION	SIGNATURE
Lindsay Sim	Chief Finance Officer	
Stuart Crickmar	Director Partnership & Performance	



	Annual Budget 21GLBR £'000	Forecast to March 2021 £'000	Variance Forecast to Budget £'000	Previous Forecast to Budget £'000	Variance movement £'000
Resource & Governance	6,215	6,174	(42)	33	(75)
Strategy & Customer Services	3,257	3,533	276	292	(16)
Executive Team	3,189	3,157	(32)	2	(33)
Development & Environmental	15,013	15,594	581	476	105
Education Service	59,939	60,030	91	129	(38)
Housing & Community Safety	12,579	12,286	(294)	(563)	270
Social Services	14,213	16,645	2,432	2,346	86
Health & Social Care Partnership	19,041	18,950	(90)	(91)	1
Corporate Services	504	(474)	(978)	(645)	(333)
Misc Services - Non Distributed Costs	1,312	1,312	0	0	(0)
	135,261	137,206	1,945	1,980	(35)
<b>less allocated to non general fund</b>	(1,305)	(1,305)	0	0	0
<b>Services Expenditure</b>	133,956	135,901	1,945	1,980	(35)
<b>Add Requisitions from Joint Boards</b>					
Central Scotland Valuation	454	454	0	0	0
	134,410	136,355	1,945	1,980	(35)
<b>Add/Deduct</b>					
Interest on Revenue Balances	(91)	(10)	81	81	(0)
Loans Fund Contribution	5,770	5,838	68	68	(0)
Contribution to Bad Debt Provision	200	200	0	0	(0)
	140,288	142,383	2,094	2,129	(35)
<b>Sources of Funding</b>					
General Revenue Funding/Non-Domestic Rates	(113,612)	(113,612)	0	(0)	0
Council Tax	(23,763)	(23,763)	0	0	0
Council Tax Reduction Scheme	0	0	0	0	0
Contribution from Reserves	0	0	0	0	0
Capital Stimulus Fund	0	0	0	0	0
Application of unapplied Capital receipt	(1,160)	(1,160)	(0)	(0)	(0)
Contribution from Earmarked Reserves	(1,754)	(1,754)	0	0	(0)
Contribution from Uncommitted Reserves	0	0	0	0	0
	(140,288)	(140,288)	(0)	(0)	0
<b>Projected (Surplus)/Shortfall</b>	0	2,094	2,094	2,129	(35)
<b>Summarised by Division</b>					
People	76,367	79,074	2,707	2,787	(79)
Place	18,300	18,603	303	(146)	449
Partnership & Performance	19,738	19,740	3	74	(71)
Health & Social Care Partnership	19,041	18,950	(90)	(91)	1
Corporate Services	6,390	5,561	(829)	(496)	(333)
Central Scotland Valuation	454	454	0	(0)	0
	140,288	142,383	2,094	2,129	(35)

	<i>Annual Budget 2020/21</i>	<i>Forecast to March 2021</i>	<i>Variance Forecast to Budget at October</i>	<i>Variance Forecast to Budget at August</i>	<i>Variance movement August to October</i>	<i>Narrative</i>
<b>People</b>						
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
<b>Strategy &amp; Customer Services</b>	1,582	1,801	219	239	(20)	Strategy and Customer Services, (Libraries & Leisure) is forecast to overspend by £0.219m an improvement of £(0.020)m from August. Leisure Services is forecast to overspend by £0.271m which is offset by the Libraries forecast underspend of £(0.052)m particularly in staffing, with an increase in this as vacancies remain empty. In Leisure an overspend of £0.067m is expected on payments for Alloa Leisure Bowl, while the closure of facilities is expected to reduce income by £0.277m. This has increased by £0.042m from August with continued uncertainty around opening and user numbers. This shortfall in income is offset by an underspend of (£0.048m) on employee expenditure due to the reduced requirement for casual and sickness cover. The curtailment of expenditure in all teams has resulted in a forecast £(0.026)m within various headings.
<b>Executive Team</b>	130	95	(35)	0	(35)	Strategic Director time charged to Regional Improvement Collaborative
<b>Development &amp; Environmental Education</b>	503	504	1	73	(72)	Economic Development: Overspend £0.001m, movement of £(0.094). Overspend of £0.030m due to lower ESF Funding as a result of Covid, £0.020m overspend and movement due to decreased income from the young parent scheme as it no longer forms part of the ESF scheme. These have been offset by (£0.035)m underspend in Educational Establishments Payments, £(0.014)m underspend, movement of £(0.002)m in client amenities. £(0.067)m of movement is due to the introduction of a cost model to support the Fair Start programme through Covid. £(0.23)m movement due to various small underspends.
	30,117	30,117	0	0	0	<b>Devolved Schools</b> are forecast on budget as any under or overspends are carried forward. The current estimated underspend of (£0.255m) is reflected within Primary Non Devolved. Devolved Staffing budgets have been realigned to reflect schools staffing requirements for Academic Year 20-21 including additional teaching resources (Covid)
	9,006	8,870	(136)	(66)	(70)	<b>Early Years</b> are forecast to underspend by (£0.136m) The underspend is due to Nursery Teacher vacancies and transfers to primary schools (£0.126m), staff turnover in core nurseries as staff move to new facilities (£0.168m) and reduction in income due to COVID 19 and ABC closure £0.072m (Covid), ABC closure £0.056m . Out of School care is overspent by £0.030m Income reduction. The 1140hrs funding of £4.523m is forecast on budget as any underspend can be carried forward however it is likely to be fully utilised this financial year. The movement of (£0.070m) is staff turnover in nurseries (£0.090m) and income reduction & increased expenditure in Out of School Care £0.020m
	5,225	5,218	(8)	80	(88)	<b>Additional Support Needs (ASN)</b> is forecast to underspend by (£0.008m). Overspends of £0.030m for travel escorts and £0.015m pupil transport due to increased demand, Accessibility Strategy is £0.015m overspent, the NHS OT & physio contract is forecasting an underspend of (£0.096m) due to COVID 19 non delivery of contract and there is a underspend of (£0.099m) on the Additional support for Additional Learning SG funding as staffing in place from Dec 20 only, Learning Assistants NHS Income is under recovered by £0.087m due to COVID 19 non delivery and staffing costs are projecting a £0.138m overspend due to increasing demand, Inclusion Support is (£0.065m) underspent due to reduction in Teachers from Aug 20 and (£0.033m) staff turnover Learning support) . The movement of (£0.088m) is mainly in relation to slippage in Additional Support for Additional Learning staff (£0.034m) and staff turnover Learning Assistants & Learning Support (£0.054m)

	<i>Annual Budget 2020/21</i>	<i>Forecast to March 2021</i>	<i>Variance Forecast to Budget at October</i>	<i>Variance Forecast to Budget at August</i>	<i>Variance movement August to October</i>	<i>Narrative</i>
<b>People</b>						
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
	1,802	1,767	(35)	4	(38)	<b>Primary Non Devolved</b> is forecast to underspend by (£0.035m). Within the core Primary Non devolved areas a (£0.026m) underspend is made up from Clothing Grants (£0.018m), Bus Contracts (£0.20m), staffing (£0.038m) and £0.050m in non staffing expenditure (Parent pay charges, cleaning, Seemis). Within "Flexibility" an underspend of (£0.009m) reflects the current Devolved schools underspend of (£0.255m), DSM savings totalling £0.854m and SG additional teaching resource funding of (£0.506m). The movement of (£0.038m) reflects the changes in "Flexibility" after realignment of DSM budgets for new Academic Year £0.099m and staff turnover in RCCT & PE Teams (£0.045m)
	1,668	1,724	56	33	23	<b>Secondary Non Devolved</b> is forecast to overspend by £0.056m. Underspends within SQA Fees (£0.010m), EMA admin fees (£0.013m) and School Transport (£0.027m) are offset by a projected shortfall in Music income due to reduction in uptake following a previous year increase in fees, further compounded by COVID 19 non delivery of lessons totalling £0.098m and non staffing expenditure in central areas £0.008m. The movement of £0.023m is a further reduction in Music fee income of £0.020m and various minor £0.003m
	8,404	8,371	(33)	(33)	(0)	<b>PPP</b> is forecasting an underspend of (£0.033m), higher than expected payments to the contractor of £0.013m are offset by estimated agreed deductions, surplus budget (£0.033m)
	2,081	2,081	(0)	(0)	0	<b>Pupil Equity Funding (PEF)</b> is forecast on budget. Funding is allocated on an Academic Year basis and any underspend is carried forward to next year
	692	790	97	17	80	<b>Business Management</b> is forecasting an overspend of £0.097m. Chief Officers part year vacancy (£0.051m) part offset by additional staffing resource digital learning £0.015m, Business Support vacancy (£0.032m) and £0.100m digital learning costs (Covid recovery), PPE issues from cleaning £0.075m (Covid) and various minor (£0.010m). The movement of £0.080m relates to PPE recharges £0.075m & £0.005m various non staffing
	162	351	190	152	37	<b>Sports Development</b> is forecasting an overspend of £0.190m due to a reduction in Income in various programs due to COVID 19 totalling £0.269m less associated savings of (£0.079m) in casual sports coaches and equipment . The movement of £0.037m relates to further Income reduction around uncertainty of when facilities can operate normally.
	781	740	(41)	(59)	18	In other areas, Psychology Service (£0.017m), School Crossing Patrols (£0.015m), and Youth and Adult Services (£0.009m) combines to an underspend of (£0.041m) which is mainly staff turnover. The movement of £0.018m relates to regradings and Youth Support workers
<b>Service Total</b>	<b>59,939</b>	<b>60,030</b>	<b>91</b>	<b>129</b>	<b>(38)</b>	
<b>Social Services</b>						
<b>Childrens Commissioned Service</b>	678	882	204	186	18	Children's Commissioned Services are forecast to overspend by £0.204m. The overspend relates to payments to third sector service providers. The movement since August is the result of the transfer of a payment transferred Criminal Justice.

People	Annual Budget 2020/21	Forecast to March 2021	Variance Forecast to Budget at October	Variance Forecast to Budget at August	Variance movement August to October	Narrative
	£'000	£'000	£'000	£'000	£'000	
Corporate Parenting	6,213	7,308	1,095	665	430	<p>Corporate Parenting is forecast to overspend by £1.185m.</p> <p>The main pressure points are:  External Fostering payments £0.712m; Kinship Payments £0.348m; Internal Fostering £0.026m; Residence Orders £0.049m and Direct Payments £0.050m .</p> <p>The number of External Foster placements has increased by 15 since the start of the year, many of these being related to Covid19. External foster care is high cost and an area that is being actively addressed through the use of Family Group Decision Making, Restorative Practice and the more bespoke and targeting of commissioned services.</p> <p>Transport (including family contact) and Premises costs are forecast to underspend by (£0.016m). The budget has been adjusted to include an allocation of £0.090m from Scottish Government Winter Plan for Social Inclusion.</p> <p>There has been adverse movement of £0.520m since August this is largely as result of the forecast for Kinship Care moving from field work to Corporate Parenting as part of a realignment to reflect management responsibilities. The re was actual growth in the forecast for Kinship Payments of £0.037m since August together with an increased forecast for external foster placements of £0.080m (3 additional placements).</p> <p>The pressures within the service continue to be volatile and fluctuation in demand is to be expected.</p>
Fieldwork Children and Families	1,889	1,883	(6)	413	(419)	<p>Fieldwork Children and Families are forecast to underspend £0.006m.</p> <p>There are underspends within staffing £0.052m and Transport £0.018m offset by an under recovery of income from other local authorities of £0.064m.</p> <p>There has been a favourable movement of £0.419m since August as a result of the internal transfer of Kinship Payments in to Corporate Parenting (above).</p>
Permanence Team	260	259	(0)	(2)	2	<p>The Permanence Team is forecast to be on budget.</p> <p>This team is part of the newly established reporting structure, with the whole budget relating to staff costs. The team has a specific focus on establishing long term arrangements for children and young people .</p>
Family Group Decision Making	126	128	2	(17)	19	<p>Family Group Decision Making is forecast to overspend by £0.02m with a £0.03m underspend on staffing and a overspend of £0.05m on transport.</p> <p>A Family Group conferencing is a way for families to come together to discuss a concern or problem and develop a support plan for children or young people in the family.</p> <p>The aim is to maximise the support available within family unit and avoid other more costly interventions.</p> <p>There has been an adverse movement of £0.019 since August as a result of revised staffing allocations.</p>

	<i>Annual Budget 2020/21</i>	<i>Forecast to March 2021</i>	<i>Variance Forecast to Budget at October</i>	<i>Variance Forecast to Budget at August</i>	<i>Variance movement August to October</i>	<i>Narrative</i>
<b>People</b>						
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
<b>Other Residential Placements</b>	2,314	3,360	1,046	956	90	Other Residential Placements is forecast to overspend by £1.316m. There are currently 20 children in residential placements (5 Education only, 5 Social Work Care only and 10 providing both Education and Care)with a forecast to overspend by £1.176m.Numbers have risen by 3 since the start of the year with six placements related to Covid 19 at a cost of £1.079m. Out of area education expenses are forecast to overspend by £0.140m.This budget relates to 23 children receiving educational support from other local authorities. The budget has been adjusted to include an allocation of £0.270m from Scottish Government Winter Plan for Social Inclusion. The has been an adverse movement in the forecast since August as a result of two new residential placements, and two extensions, all related to Covid 19. This budget heading is extremely dynamic and the forecast makes no provision for any future new placements.
<b>Strategy and Planning</b>	360	452	92	93	(1)	Strategy and Planning are forecast to overspend by £0.092m. The main pressures in this area are a shortfall in income from other local authorities of £0.061 and an overspend on employees of £0.031m. There has been an favourable movement of £0.001m since August as a result of re-aligning staff cost to reflect the new reporting arrangement.
<b>Management Support</b>	891	817	(73)	(36)	(37)	Management Support are forecast to underspend by (£0.073m). This relates to staffing vacancies (£0.035m) together with small underspends across Transport and Supplies and Services. The favourable movement since August of £0.037m relates to updated recruitment plans for staff.
<b>Criminal Justice Service</b>	1,483	1,555	72	88	(16)	Criminal Justice Services are forecast to overspend by £0.072m. There is a forecast overspend of £0.107m within payments to third sector providers and other local authorities. Supplies and Services are forecast to overspend by £0.042m in relation to IT equipment £0.017m and an unachievable saving of £0.025m. In addition there are small overspends forecast across Property, £0.003m and Transport £0.008m. Staffing is forecast to underspend by (£0.088m). There has been a favourable movement of £0.016m since August as a result of a payment to a third sector service provider being transferred to Children's Commissioned Service.
<b>Total Social Services</b>	<b>14,213</b>	<b>16,645</b>	<b>2,432</b>	<b>2,346</b>	<b>87</b>	
	<b>76,367</b>	<b>79,074</b>	<b>2,707</b>	<b>2,787</b>	<b>(79)</b>	

Place Directorate  
Variances at 31st October 2020

Appendix 3a

Place	Annual Budget 2020/21	Forecast to March 2021	Variance Forecast to Budget at October	Variance due to Covid	Variance due to Non Covid	Variance Forecast to Budget at August	Variance movement August to October	Narrative
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Strategy & Customer Services	67	66	(1)	0	0	0	(1)	Small reduction in staffing at reception.
Executive Team	194	173	(21)	0	(21)	(21)	(0)	Underspend due to recharge to HRA for Strategic Director offset by APSE subscriptions.
								<p><b>Building Operations:</b> Forecast to overspend by £0.080m, a movement of £0.006m. This is due to increased energy usage as a result of <b>Covid_19</b> regulatons and the movement is due to an increase in insurance costs.</p> <p><b>Catering:</b> Forecast to overspend by £0.265m, a movement of £0.162m there is a significant reduction in school meal income of £0.650m which is a movement of £0.417m due to <b>Covid_19</b>. This is partially offset by an underspend in food costs of £(0.366)m, movement of £(0.256)m. In addition there is a reduction in income from the Milk Scheme of £(0.20)m, movement of £0.004m. Staffing is forecast to underspend by £(0.024)m which is a movement of £0.020m There are various small underspends totalling £(0.015)m , a movement of £(0.025).</p> <p><b>Regulatory:</b> Forecast to overspend by £0.021m, with no movement since last reported. this is due to lower income from rental of park space as a result of <b>Covid_19</b>.</p> <p><b>Waste Management:</b> Forecast to underspend by £(0.103)m, a movement of £0.007m. £(0.080) due to underspend in Waste Treatment, movement of £(0.010)m, £(0.020)m underspend in advertising, £(0.023)m underspend in waste admin salaries, movement of £(0.002)m, £(0.034)m underspend in contractors, £(0.066)m additional income from garden permits, movement of £(0.025)m and a £0.070m overspend for operations at Polmaise transfer loading station, movement of £0.050m. £0.026m overspend on 18/19 unachieved saving on recycling centre opening hours and a £0.039 overspend due to reduction in commercial refuse income as a result of <b>Covid_19</b>. £(0.015)m various small underspends, movement of £(0.006)m</p> <p><b>Streetcare:</b> Forecast to overspend by £0.036m, a movement of £(0.008)m. £0.040m overspends on overtime due to an unrealised saving in 18/19, £(0.004)m underspend and £(0.008)m movement due to small overspends.</p>

Place	Annual Budget 2020/21	Forecast to March 2021	Variance Forecast to Budget at October	Variance due to Covid	Variance due to Non Covid	Variance Forecast to Budget at August	Variance movement August to October	Narrative
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Development & Environmental	13,771	14,369	598	740	(142)	400	198	<p><b>Fleet:</b> Forecast to underspend by £(0.033)m, a movement £(0.031)m. £(0.020)m decrease in diesel due to the use of electric vehicles, £(0.020)m decrease in materials spend due to repairing rather than replacing, £(0.009)m saving in replacement of tyres. £(0.031)m underspend and movement on staffing. These underspends are partially offset by a £0.042m reduction in internal income due to <b>Covid_19</b>.</p> <p><b>Grounds Maintenance:</b> Forecast to underspend of £(0.050)m, a movement of £(0.059)m. The underspend and movement is due to staffing.</p> <p><b>Facilities:</b> Forecast to underspend by £(0.162)m, a movement of £(0.156)m. Underspend and movement is due to staffing.</p> <p><b>Roads:</b> Forecast to underspend by £(0.002)m, a movement of £(0.021)m. £(0.088)m underspend in patching, footways and drainage, a movement of £(0.015)m, due to prioritisation on the capital programme. £(0.029)m underspend and movement in winter maintenance due to a milder winter than expected. £0.113m overspend from decreased income as a result of <b>Covid_19</b>, a movement of £(0.003)m. Various small overspends of £0.004m, a movement of £0.026m</p> <p><b>HoS:</b> Forecast to overspend by £0.001m due to printing, a movement of £(0.003)m due to a decrease in postages.</p> <p><b>Development Services:</b> Forecast to overspend by £0.221m, a movement of £(0.010)m. £0.200m, due to a 40% reduction of income in Building Standards and Planning as a result of restrictions on construction and movement, movement of £(0.010)m due to <b>Covid_19</b> and a £0.100m, unachieved saving on the Police Scotland collaboration that hasn't been finalised to date. There is a £(0.040)m underspend on staffing due to vacancy management. The acting up impact of this is visible in facilities as an overspend. Underspend and movement of £(0.020)m as a result of various small underspends.</p>
Housing & Community Safety	4,268	3,996	(272)	(46)	(226)	(525)	253	<p><b>Building Operations:</b> Forecast to overspend by £0.133m, a movement of £0.199m since last reported. There is an increase of £0.120m in rates not previously reported and the chargeable income from Capital projects has been reduced by £0.075m. The overspend is consists of £0.065m of building repairs and a shortage of income from capital work of £0.250m. This is offset by a staffing underspend of £(0.178)m and various savings of £(0.005)m.</p> <p><b>Homelessness:</b> Forecast to underspend by £(0.317)m, a movement of £0.070m from August. Income from housing benefit expected to be £(0.357)m more than budget a movement of £0.010m. There has been an increase £0.060m in the forecasted costs of B&amp;B from budget. Forecasted savings of £(0.020)m in staffing and premises costs contribute to the underspend.</p> <p><b>Housing :</b> External grant funding and income from Coalsnaughton NHT for management &amp; maintenance services is being received. Based on current staff there is a underspend of £(0.089)m. This is a movement of £(0.016)m as the service curtails expenditure in other areas.</p>
<b>Directorate Total</b>	<b>18,300</b>	<b>18,604</b>	<b>303</b>	<b>694</b>	<b>(389)</b>	<b>(146)</b>	<b>449</b>	

**Partnership & Performance Summary 2020/21**  
**As at 31 October 2020**

**Appendix 4**

	<i>Annual Budget 2020/21 £'000</i>	<i>Forecast to March 2021 £'000</i>	<i>Variance Forecast to Budget £'000</i>
Resource & Governance	6,215	6,174	(42)
Strategy & Customer Services	1,608	1,666	58
Executive Team	2,864	2,889	25
Development & Environmental	739	721	(18)
Housing & Community Safety	8,311	8,290	(21)
<b>Division Expenditure</b>	<b>19,738</b>	<b>19,740</b>	<b>3</b>
Corporate Services	504	(474)	(978)
Misc Services - Non Distributed Costs	1,312	1,312	0
	1,816	838	(978)
less allocated to non general fund	(1,305)	(1,305)	0
	511	(467)	(978)
Add requisitions from joint boards			
Central Scotland Valuation Joint Board	454	454	0
Add/Deduct			
Interest on Revenue Balance	(91)	(10)	81
Loans Fund Contribution	5,770	5,838	68
Contribution to Bad Debt Provision	200	200	0
<b>Total Corporate Services</b>	<b>6,844</b>	<b>6,015</b>	<b>(829)</b>
Health & Social Care Partnership	19,041	18,950	(90)



Annual Budget 2020/21	Annual Budget 2020/21	Forecast to March 2021	Variance Forecast to Budget at October	Variance due to Covid	Variance due to Non Covid	Variance Forecast to Budget at August	Variance movement August to October	Narrative
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Employees</b>								Underspend across a range of services: including: Integrated Mental Health £(414k); Disability Day Care £(198k); Assessment & Care Management £(226k) There is a forecast overspend at Menstrie House of £110k The favourable movement represents the impact of staff turnover since August. A proposal to re-align budgets and direct resources to those areas under pressure is being considered
	8,501	7,564	(937)	0	(937)	(867)	(70)	
<b>Long Term Care</b>								
<b>Nursing Homes</b>								Nursing Home places fell by 55 at the start of the year but have now started to rise and now stand at around 185 as homes have re-opened to admissions. This forecast is potentially subject to volatility depending on the future course of the pandemic. Savings will be offset by Relief Payments to Providers through the Mobilisation Fund.
	7,594	7,049	(545)	(1,200)	655	(740)	195	
<b>Residential Homes</b>								Overall numbers remain stable at around 60.
	3,594	3,329	(265)	0	(265)	(1)	(264)	
<b>Community Based Care</b>			0		0			
<b>Care at Home</b>								Current commitments continue to rise with an increase of 700 hours/week since the start of the year to stand at 11,000 hours/week.
	7,885	9,058	1,173	460	713	1,498	(324)	
<b>Day Care</b>								Day Care for approximately 42 service users of which 19 have complex needs.
	230	255	25	0	25	39	(14)	
<b>Direct Payments</b>								Numbers are stable with 70 service users receiving a direct payment.
	953	902	(51)	0	(51)	2	(53)	
<b>Housing Aids and Adaptations</b>								Demand driven adaptations within private sector homes.
	159	164	5	0	5	5	(0)	
<b>Housing with Care</b>								This budget is for Supported Accommodation provided by external organisations The commitment has fallen since August as a result of service changes within Learning disability and Physical Disability with some care transferring to Care at Home
	163	174	11	0	11	115	(104)	
<b>Respite</b>								Costs for respite have increased since August as Respite plans for the year are confirmed.
	129	143	14	0	14	(42)	56	
<b>Misc. Third Party Payments</b>								This heading covers various payments to other agencies including other local authorities, registration fees and payments to voluntary organisations. The movement from August follows the allocation of growth funding to address pressures with Care at Home.
	910	1,119	209	0	209	(610)	819	
<b>Supplies and Services</b>								This heading includes equipment, house adaptations, food and insurance, postage, printing and administration. The forecast over spend relates to increased levels of spend on equipment servicing and maintenance £(17k) Insurance, £(18k) and Office Costs £(26k).
	403	425	22	0	22	61	(39)	
<b>Premises Expenditure</b>								The budget covers cleaning materials within operational buildings.
	11	25	13	0	13	13	0	
<b>Transport Expenditure</b>								Travel costs are forecast to overspend , with cost having picked up in the second quarter.
	48	53	4		4	(5)	10	
<b>Income</b>					0			
<b>Income</b>								Income forecast is less than budget this year as a result of a reduced level of client contributions. This is as a result of less people being in long term care (Covid related).
	(4,269)	(4,048)	221	450	(229)	432	(211)	
<b>Resource Transfer (Health)</b>								Includes Income from NHS, integration funding and contributions for complex care.
	(7,271)	(7,262)	9	0	9	9	(0)	
<b>Total</b>	<b>19,040</b>	<b>18,950</b>	<b>(90)</b>	<b>(290)</b>	<b>200</b>	<b>(91)</b>	<b>(1)</b>	

Description	Annual Budget for 2020/21 £'000	Annual Forecast for 2020-21 £'000	Variance Forecast v Budget £'000
Chief Officers Gross Salaries	23,968	23,968	0
Chief Officers Employers Superann	5,273	5,393	120
Chief Officers Employers NIC	2,996	3,001	5
Single Status Gross Salaries	5,748,751	5,117,003	(631,748)
Single Status Employers Superann	1,299,170	1,110,360	(188,810)
Single Status Employers NIC	543,758	541,065	(2,693)
Single Status Overtime	260,000	388,081	128,081
Single Status Sick Pay	0	24,665	24,665
Long Service Awards	2,350	2,350	0
Childcare Vouchers Admin Costs	2,160	108	(2,052)
Employee Management Costs	3,000	3,000	0
Staff Training	88,000	38,200	(49,800)
<b>Employee Related Expenditure Total</b>	<b>7,979,426</b>	<b>7,257,193</b>	<b>(722,233)</b>
<b>Premises Related Expenditure</b>			
Annual Maintenance External Providers	300,000	300,000	0
Cleaning & Hygiene Materials	1,500	9,000	7,500
Gas	6,000	6,000	0
Electricity	20,000	18,400	(1,600)
Void Rent Loss	450,000	443,800	(6,200)
Non Domestic Rates	3,000	16,766	13,766
Council Tax	10,000	17,120	7,120
Property Insurance	203,000	182,640	(20,360)
Bad Debt Provision	400,000	515,000	115,000
Building Costs - Recharges Internal	103,000	103,000	(0)
Land Services - Internal Recharges	50,000	25,500	(24,500)
<b>Premises Related Expenditure Total</b>	<b>1,546,500</b>	<b>1,637,226</b>	<b>90,726</b>
<b>Transport Related Expenditure</b>			
Short Term Vehicle Hire	4,000	0	(4,000)
Staff Travel Mileage Expenses	23,500	5,687	(17,813)
Vehicles - Maintenance Recharges	345,000	315,900	(29,100)
<b>Transport Related Expenditure Total</b>	<b>372,500</b>	<b>321,587</b>	<b>(50,913)</b>
<b>Supplies and Services</b>			
Purchase Of Equipment	23,070	21,600	(1,470)
Purchase Of Furniture	500	21,000	20,500
Storage & Removal Charges	2,000	0	(2,000)
Materials (issued from Stock)	830,000	600,500	(229,500)
Materials - Direct purchases from suppliers	750,000	323,530	(426,470)
General Consumables (small items)	35,500	35,500	0
Equipment Maintenance	10,000	24,000	14,000
Equipment Rental/Leasing	20,000	20,000	(0)
Scaffold Hire	50,000	50,000	0
Medical Supplies	1,100	100	(1,000)
Hospitality	100	0	(100)
Uniforms & Clothing	6,280	1,500	(4,780)
Office Equipment - Purchases	3,650	1,979	(1,671)
Printing & Photocopying	7,800	4,750	(3,050)
Stationery	6,260	7,616	1,356
Publications	500	0	(500)
Insurance	32,120	33,120	1,000
Professional Fees	52,150	18,850	(33,300)

<i>Description</i>	<i>Annual Budget for 2020/21 £'000</i>	<i>Annual Forecast for 2020-21 £'000</i>	<i>Variance Forecast v Budget £'000</i>
Performing Rights	300	0	(300)
Postages	8,000	3,200	(4,800)
Legal Expenses	32,000	11,869	(20,131)
Subscriptions	20,600	13,129	(7,471)
Telephones	150	150	0
Mobile Telephones	33,810	21,020	(12,790)
Computer Hardware Purchase	53,400	53,466	66
Computer Software Purchase	150,000	102,000	(48,000)
Computer Software Maint.	32,000	80,190	48,190
<b>Supplies and Services Total</b>	<b>2,161,290</b>	<b>1,449,069</b>	<b>(712,221)</b>
<b>Third Party Payments</b>			
Other Council Accounts	552,620	530,700	(21,920)
Voluntary Organisations Payment	67,730	29,400	(38,330)
Payments To Contractors	98,200	53,700	(44,500)
Payment To Subcontractor	525,000	425,000	(100,000)
Payments To Individuals	0	60,000	60,000
<b>Third Party Payments Total</b>	<b>1,243,550</b>	<b>1,098,800</b>	<b>(144,750)</b>
<b>Support Services</b>			
Central Support Allocation	1,204,000	1,204,000	0
<b>Support Services Total</b>	<b>1,204,000</b>	<b>1,204,000</b>	<b>0</b>
<b>Capital Financing Costs</b>			
Loans Fund Interest	1,196,050	1,154,614	(41,436)
Debt Management Expenses	23,370	22,263	(1,107)
Principal Repayments	768,410	596,410	(172,000)
<b>Capital Financing Costs Total</b>	<b>1,987,830</b>	<b>1,773,287</b>	<b>(214,542)</b>
<b>Total Gross Expenditure</b>	<b>16,495,096</b>	<b>14,741,162</b>	<b>(1,753,934)</b>
<b>Income</b>			
Charges for Services Standard VAT	(61,400)	(14,000)	47,400
Other Income	(5,740)	(5,599)	141
Housing Rents	(19,840,760)	(19,844,070)	(3,310)
General Rents	(62,350)	(80,950)	(18,600)
Interest(Revenue Balance)	(47,580)	(7,000)	40,580
Internal Trading Contract	(1,650,000)	(1,477,000)	173,000
<b>Income Total</b>	<b>(21,667,830)</b>	<b>(21,428,619)</b>	<b>239,211</b>
<b>Net Expenditure</b>	<b>(5,172,734)</b>	<b>(6,687,457)</b>	<b>(1,514,723)</b>

Place Directorate  
HRA Variances and movement at 31 October 2020

Appendix 7

Housing Revenue Account	Annual Budget 2020/21	Forecast to March 20210	Variance Forecast to Budget at October	Variance due to Covid	Variance due to Non Covid	Variance Forecast to Budget at August	Variance movement August to October	Narrative
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Employee expenditure	7,979	7,257	(722)	(510)	(212)	(628)	(94)	The continued non filling of vacancies along with some recent leavers has seen an increase in the forecasted underspend. Reduced expenditure on staff training is expected to continue. The service continues to support the Councils response to Covid_19 with no allowance yet made for the expenditure associated to this.
Premises expenditure	1,547	1,637	91	(25)	116	85	5	Bad debt provision forecast to be overspent based on last year's actual and this years circumstances. The current level of void houses has increased the forecast this month, along with Cleaning & Hygiene materials. This is compensated by a reduction in the work done by Land Services.
Transport expenditure	373	322	(51)	(51)	1	(47)	(4)	Continuing to forecast an underspend with latest information from Fleet. Small reduction in temporary hire costs now forecast.
Supplies and Servcies	2,161	1,449	(712)	(709)	(3)	(666)	(46)	There has been a significant reduction in direct materials and stock within the repairs service. Covid_19 has resulted in a complete appraisal of safe working practices. The reduction in expenditure is as a result of revising our hire of scaffold requirements along with delaying the planned work to be undertaken with tenant participation, as Covid_19 impacts on the available resources.
Third Party Payments	1,244	1,099	(145)	(123)	(22)	(105)	(40)	The reliance on sub contractors is still at £100,000 less while the anticipated support for tenants impacted by Covid_19 has reduced to £60,000. Tenant participation work still remains slow in progress due to Covid_19.
Support services	1,204	1,204	0	0	0	0	0	
Capital financing costs	1,988	1,773	(215)	0	(215)	(215)	0	Reduced interest costs as borrowing significantly less than originally anticipated.
<b>Total Gross Expenditure</b>	<b>16,495</b>	<b>14,741</b>	<b>(1,754)</b>	<b>(1,418)</b>	<b>(336)</b>	<b>(1,575)</b>	<b>(179)</b>	
Income	(21,668)	(21,429)	239	220	19	267	(29)	The Service is still unable to carry out the replacement kitchen programme safely but has replaced some of this shortfall with work done on the Learning Estate. Increases in charges and shop rents account for the variance movement.
<b>Total Net Expenditure</b>	<b>(5,173)</b>	<b>(6,688)</b>	<b>(1,515)</b>	<b>(1,198)</b>	<b>(317)</b>	<b>(1,307)</b>	<b>(208)</b>	

Housing Capital Programme 2020-21 Period to October 2020	Project Code	20-21 Net Budget	Net Expenditure to 31/10/20	Forecast as at 31/10/20	Forecast to Budget Variance	Previous forecast	Movement from August Forecast	Comment	C/F to 2021- 22
<b>SCOTTISH HOUSING QUALITY STANDARD</b>									
<b>TACKLING SERIOUS DISREPAIR PRIMARY BUILDING ELEMENTS</b>									
<b>Structural Works</b>									
Structural Upgrades	10192	170,000	0	200,000	30,000	200,000	0	Significant work required on retaining walls in Sauchie	
Asbestos Testing for Council Houses	10071	15,000	1,208	15,000	0	15,000	0		
Asbestos Removal Works for Council Houses	10072	65,000	6,970	30,000	(35,000)	30,000	0	Less internal evasive work reduces discovery of asbestos	
<b>Structural Works</b>		<b>250,000</b>	<b>8,178</b>	<b>245,000</b>	<b>(5,000)</b>	<b>245,000</b>	<b>0</b>		
<b>SECONDARY BUILDING ELEMENTS</b>									
<b>Damp/Rot</b>									
Damp & Rot Works	10195	120,000	23,509	120,000	0	120,000	0	Projects identified with contractor	
<b>Damp/Rot</b>		<b>120,000</b>	<b>23,509</b>	<b>120,000</b>	<b>0</b>	<b>120,000</b>	<b>0</b>		
<b>Roofs / Rainwater / External Walls</b>									
Roof & Render Upgrading Works	10196	1,000,000	229,241	1,000,000	0	1,000,000	0	Programme of work started with follow on identified. Contractor resourced up to deliver.	
<b>Roofs / Rainwater / External Walls</b>		<b>1,000,000</b>	<b>229,241</b>	<b>1,000,000</b>	<b>0</b>	<b>1,000,000</b>	<b>0</b>		
<b>Windows</b>									
Window Replacement	10197	1,310,000	342,406	1,310,000	0	1,310,000	0	Up & running at £140,000 a month now working well	
<b>Windows</b>		<b>1,310,000</b>	<b>342,406</b>	<b>1,310,000</b>	<b>0</b>	<b>1,310,000</b>	<b>0</b>		
		<b>2,430,000</b>	<b>595,157</b>	<b>2,430,000</b>	<b>0</b>	<b>2,430,000</b>	<b>0</b>		
<b>ENERGY EFFICIENCY</b>									
Central Heating - Design and Installation 2019-22	10193	300,000	75,704	300,000	0	300,000	0	PH Jones to meet EESH target dec 20 and upgrading voids as required	
Weir Multicon Upgrade 2018-2020	10178	750,000	585	750,000	0	750,000	0	Report to Council following assessment of pilot houses.	
<b>Full/Efficient Central Heating</b>		<b>1,050,000</b>	<b>76,289</b>	<b>1,050,000</b>	<b>0</b>	<b>1,050,000</b>	<b>0</b>		
<b>MODERN FACILITIES &amp; SERVICES</b>									
<b>Kitchen Renewal</b>									
Kitchen Replacement 2017-20	10158	1,050,000	995	100,000	(950,000)	100,000	0	Impact of Covid and requirement of multi-trades reduces expenditure to voids.	
<b>Kitchen Renewal</b>		<b>1,050,000</b>	<b>995</b>	<b>100,000</b>	<b>(950,000)</b>	<b>100,000</b>	<b>0</b>		

Housing Capital Programme 2020-21 Period to October 2020	Project Code	20-21 Net Budget	Net Expenditure to 31/10/20	Forecast as at 31/10/20	Forecast to Budget Variance	Previous forecast	Movement from August Forecast	Comment	C/F to 2021- 22
<b>Bathrooms</b> 2016-20 Bathroom Replacements PCU Team <b>Bathrooms</b>	10141	50,000	9,655	50,000	0	50,000	0		
		<b>50,000</b>	<b>9,655</b>	<b>50,000</b>	<b>0</b>	<b>50,000</b>	<b>0</b>		
		<b>1,100,000</b>	<b>10,650</b>	<b>150,000</b>	<b>(950,000)</b>	<b>150,000</b>	<b>0</b>		
<b>HEALTHY, SAFE &amp; SECURE</b>									
<b>Safe Electrical Systems / CO Detectors</b>									
Safe Electrical systems 2018-22 <b>Safe Electrical Systems</b>	10171	1,200,000	46,583	900,000	(300,000)	1,200,000	(300,000)	Compliance will require using our own resources in voids. EEESH compliance remains a priority.	
		<b>1,200,000</b>	<b>46,583</b>	<b>900,000</b>	<b>(300,000)</b>	<b>1,200,000</b>	<b>(300,000)</b>		
<b>Communal Areas (Environmentals)</b> External Works : Fencing, Gates, Paths	10090	180,000	6	180,000	0	180,000	0	Procurement in progress with work identified. The issues with joint owners remain with blocks identified.	
Door Entry Upgrade Term Contract 2016-20 <b>Communal Areas (Environmentals)</b>	10160	200,000	3,507	10,000	(190,000)	100,000	(90,000)		
		<b>380,000</b>	<b>3,513</b>	<b>190,000</b>	<b>(190,000)</b>	<b>280,000</b>	<b>(90,000)</b>		
		<b>1,580,000</b>	<b>50,096</b>	<b>1,090,000</b>	<b>(490,000)</b>	<b>1,480,000</b>	<b>(390,000)</b>		
<b>NON-SHS ELEMENTS</b> <b>PARTICULAR NEEDS HOUSING (CITC)</b>									
<b>Conversions &amp; Upgradings</b> Conversions & Upgradings	10092	50,000	0	75,000	25,000	75,000	0	Increased costs of disabled extension with social services	
<b>Conversions &amp; Upgradings</b>		<b>50,000</b>	<b>0</b>	<b>75,000</b>	<b>25,000</b>	<b>75,000</b>	<b>0</b>		
<b>Disabled Adaptations</b> Aids & Adaptations 2017-20 <b>Disabled Adaptations</b>	10161	100,000	0	20,000	(80,000)	20,000	0	Backlog of work but difficult in current circumstances due to trades risk	
		<b>100,000</b>	<b>0</b>	<b>20,000</b>	<b>(80,000)</b>	<b>20,000</b>	<b>0</b>		
<b>Environmental Improvements</b> HRA Roads & Footpaths Improvements	10099	100,000	0	100,000	0	100,000	0	Capacity within the Council unable to deliver projects at current time.	
MCB Tenant Community Improvement Fund <b>Environmental Improvements</b>	10100	200,000	53,435	100,000	(100,000)	100,000	0		
		<b>300,000</b>	<b>53,435</b>	<b>200,000</b>	<b>(100,000)</b>	<b>200,000</b>	<b>0</b>		
		<b>450,000</b>	<b>53,435</b>	<b>295,000</b>	<b>(155,000)</b>	<b>295,000</b>	<b>0</b>		
<b>Council New Build Housing</b> Off The Shelf Purchase <b>Council New Build Housing</b>	10105	1,000,000	109,571	797,000	(203,000)	250,000	547,000	Now expected to purchase nine more houses before year end.	
		<b>1,000,000</b>	<b>109,571</b>	<b>797,000</b>	<b>(203,000)</b>	<b>250,000</b>	<b>547,000</b>		
		<b>1,000,000</b>	<b>109,571</b>	<b>797,000</b>	<b>(203,000)</b>	<b>250,000</b>	<b>547,000</b>		
<b>OTHER</b>									

Housing Capital Programme 2020-21 Period to October 2020	Project Code	20-21 Net Budget	Net Expenditure to 31/10/20	Forecast as at 31/10/20	Forecast to Budget Variance	Previous forecast	Movement from August Forecast	Comment	C/F to 2021- 22
<b>Other Costs / HBMS</b> Construction Design Management Computer Equipment - New (HBMS) Lock Up Strategy  Westthaugh Travelling Site - Alva IT Infrastructure - Clacks IT  Demolitions <b>Other Costs / HBMS</b>  <b>TOTAL CAPITAL EXPENDITURE</b>  <b>Sale of Council Property</b> Sale of Council Land <b>Sale of Council Property</b>  <b>NET EXPENDITURE</b>									
	10143	20,000	0	0	(20,000)	20,000	(20,000)	Progressing to procurement for replacement system with schedule in place for development. Procurement of contract in progress. Recent Scottish government announcements may mean that the general fund could claim grant income for this project.	
	10111	225,000	0	225,000	0	225,000	0		
	10185	100,000	3,128	56,000	(44,000)	100,000	(44,000)		
	10186	240,000	0	0	(240,000)	240,000	(240,000)		
	10188	70,000	72,005	72,000	2,000	70,000	2,000		
	10200	150,000	0	0	(150,000)	0	0		
		<b>805,000</b>	<b>75,133</b>	<b>353,000</b>	<b>(452,000)</b>	<b>655,000</b>	<b>(302,000)</b>		
		<b>8,665,000</b>	<b>978,509</b>	<b>6,410,000</b>	<b>(2,255,000)</b>	<b>6,555,000</b>	<b>(145,000)</b>		
	10148	0	0	0	0	0	0		
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
		<b>8,665,000</b>	<b>978,509</b>	<b>6,410,000</b>	<b>(2,255,000)</b>	<b>6,555,000</b>	<b>(145,000)</b>		<b>0</b>

**Summary Savings 2020-21 by Directorate  
As at 31 October 2020**

**Appendix 9**

	<b>Total Approved Savings</b>	<b>Achieved/ Likely to be achieved</b>	<b>Amber</b>	<b>Red</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Total Achieved</b>				
<b>People</b>	1,345,323 0	1,314,323	31,000	0
<b>Place</b>	1,187,109 0	1,027,109	0	160,000
<b>Performance &amp; Partnerships</b>	810,674	677,674	73,000	60,000
<b>Total approved savings</b>	<b>3,343,106</b>	<b>3,019,106</b>	<b>104,000</b>	<b>220,000</b>
		90.3%	3.4%	6.6%



Project ID	Management Code	Project Manager	Project ID Description	Cluster Description	Approved budget approved October 2020	Amendments	Revised budget	Expenditure	Commitments	Total Expenditure	Projected Spend	Projected (under)/ over spend	Proposed carry forward	Notes	Virements From
					£	£	£	£	£	£	£	£	£	£	£
<b>Community Investment Strategy</b>															
<b>All Clackmannanshire Areas</b>															
10042	A43	CJARVIE	Community Investment Grants	All Clackmannanshire Areas	103,094	0	103,094	12,376	0	12,376	40,000	(63,094)	0	Projected spend is less than budget due to availability of contractors to quote and complete works as a result of COVID-19.	0
10065	F2	LBARKER	Social Services Adaptations	All Clackmannanshire Areas	75,000	0	75,000	0	2,100	2,100	75,000	0	0	Expected to spend on budget.	0
10156	A67	PLEONARD	City Deals	All Clackmannanshire Areas	500,000	0	500,000	0	0	0	0	(500,000)	500,000	In respect of Alloa West. Progress was dependent on third parties and will not delivered in year. Proposed carry forward to 2021/22.	0
10174		TDOCHTERY	Fitness Suite Replacement	All Clackmannanshire Areas	12,000	0	12,000	0	22,517	22,517	12,000	0	0	Expected to spend on budget.	0
10209		PLEONARD	City Deal RPMO	All Clackmannanshire Areas	100,000	0	100,000	18,904	0	18,904	100,000	0	0	Expected to spend on budget.	0
10213		PLEONARD	City Region Deal - SIEC	All Clackmannanshire Areas	100,000	0	100,000	0	0	0	0	(100,000)	100,000	The business case for Scotlands International Environment Centre is being prepared for March 2021 Place committee. Proposed carry forward to 2021/22	0
<b>Total All Clackmannanshire Areas</b>					<b>890,094</b>	<b>0</b>	<b>890,094</b>	<b>31,280</b>	<b>24,617</b>	<b>55,897</b>	<b>227,000</b>	<b>(663,094)</b>	<b>600,000</b>		<b>0</b>
<b>Alloa Cluster</b>															
10000	A1	JALLAN	Schools ICT Replacement - Alloa	Alloa Cluster	41,000	0	41,000	3,895	0	3,895	39,065	(1,935)	0	Forecast small underspend against budget.	0
10005		IMCDONALD	Park, Play Area & Open Space Improvements - Alloa	Alloa Cluster	50,000	0	50,000	10,323	0	10,323	50,000	0	0	Expected to spend on budget.	0
10006	A3	MHILARION	Park Primary School - School Development - Nursey	Alloa Cluster	1,586,124	0	1,586,124	136,238	393,731	529,969	1,586,124	(0)	0	Onsite work commenced in December 2020. Expected to spend on budget.	0
10007		JALLAN	School Interactive Display Replacement - Alloa	Alloa Cluster	139,930	0	139,930	128,537	9,307	137,843	137,844	(2,086)	2,086	Forecast small underspend against budget. Propose carry forward into 2021/22.	0
10008		IMCDONALD	Heritage Improvement	Alloa Cluster	23,590	0	23,590	0	0	0	23,590	0	0	Works in progress to repair collapsed boundary wall at Greenside cemetery. Expected to spend on budget.	0
10009		MHILARION	Sunrise Cemetery Extension	Alloa Cluster	150,000	0	150,000	0	0	0	120,000	(30,000)	30,000	The project works have commenced. Risk that winter weather conditions could delay project. Proposed carry forward of £30,000.	0
10010		PLEONARD	Kilncraigs BPRA	Alloa Cluster	4,900,000	0	4,900,000	4,906,325	0	4,906,325	4,900,000	0	0	Payment has been made to offset investment and to conclude lease and loan arrangement.	0
10169		OMUNRO	Kelliebank Depot Improvements	Alloa Cluster	24,564	0	24,564	0	0	0	24,564	0	0	Works commenced December 2020. Expected to spend on budget.	0
10183		SWALKER	Forthbank Recycling Centre Improvements	Alloa Cluster	148,141	0	148,141	14,537	1,935	16,473	148,141	0	0	Household Waste Recycling Centre design is complete. The essential works will be complete by year end. Expected to spend on budget.	0
10216		MHILARION	Coalsnaughton Primary	Alloa Cluster	10,000	0	10,000	0	0	0	10,000	0	0	Expected to spend on budget.	0
10215		MHILARION	St Mungos Primary	Alloa Cluster	150,000	0	150,000	0	0	0	10,000	(140,000)	0	Anticipated proposal of next steps to Council during 2021/22 for the site. No further expenditure anticipated during 2020/21.	0
10204		MHILARION	Alloa Academy DDA	Alloa Cluster	100,000	0	100,000	0	0	0	100,000	0	0	Disability Discrimination Act improvement works instructed through PPP contract to be completed by the end of 2020/21. Expected to spend on budget.	0
<b>Total Alloa Cluster</b>					<b>7,323,349</b>	<b>0</b>	<b>7,323,349</b>	<b>5,199,855</b>	<b>404,973</b>	<b>5,604,828</b>	<b>7,149,328</b>	<b>(174,021)</b>	<b>32,086</b>		<b>0</b>
<b>Hillfoots Cluster</b>															
10031	A32	JALLAN	Schools ICT Replacement - Alva Academy	Hillfoots Cluster	50,276	0	50,276	7,338	0	7,338	50,553	277	0	Planned expenditure includes PC and laptop replacement. Small overspend forecast.	0
10032	A33	MHILARION	Alva Community Campus/Locality Hub/Primary School	Hillfoots Cluster	50,000	0	50,000	0	9,573	9,573	50,000	0	0	Awaiting Options / Appraisals - engagement with Hubco. Expected to spend on budget.	0
10035		JALLAN	School Interactive Display Replacement - Alva	Hillfoots Cluster	138,930	0	138,930	128,537	9,307	137,843	137,843	(1,087)	1,087	Small underspend forecast. Proposed carry forward to 2021/22.	0
10039	A40	PLEONARD	Village and Small Town - Dollar	Hillfoots Cluster	25,617	0	25,617	0	0	0	0	(25,617)	25,617	It is anticipated that this project will cost more than the current budget and is part of a wider project. This project will be considered as part of the capital planning process for 2021/22.	0
10119	A47	MHILARION	Strathdevon Primary School School Development	Hillfoots Cluster	29,750	0	29,750	0	0	0	29,750	0	0	Heating upgrade works in progress. Expected to spend on budget.	0
10121	A38	MHILARION	Menstrie Primary School - School Development	Hillfoots Cluster	0	0	0	25,656	165,420	191,076	191,076	191,076	0	Work instructed at Menstrie Primary as part of Early Years Programme. Retention will be due in January 2021. Proposed virement from project 10017.	0
10124		MHILARION	Tilloult Primary School - School Development	Hillfoots Cluster	100,000	0	100,000	0	9,760	9,760	100,000	0	0	Heating upgrade works in progress. Expected to spend on budget.	0
10140		PLEONARD	Village and Small Town - Alva	Hillfoots Cluster	1,480,000	0	1,480,000	29,753	1,395,002	1,424,755	29,753	(1,450,247)	1,450,247	This contract is now due to commence at the start of April 2021 (rather than January 2021). It is the intention for the work to be completed now fully in 2021/22.	0
10206		MHILARION	Alva Academy	Hillfoots Cluster	50,000	0	50,000	0	0	0	50,000	0	0	Disability Discrimination Act improvements works instructed through PPP contract and will be fully completed and expended by end of financial year.	0
<b>Total Hillfoots Cluster</b>					<b>1,924,573</b>	<b>0</b>	<b>1,924,573</b>	<b>191,283</b>	<b>1,589,062</b>	<b>1,780,345</b>	<b>638,974</b>	<b>(1,285,599)</b>	<b>1,476,951</b>		<b>0</b>
<b>Lornshill Cluster</b>															
10011	A12	JALLAN	Schools ICT Replacement - Lornshill	Lornshill Cluster	48,346	0	48,346	8,696	2,305	11,001	44,031	(4,315)	0	Upgraded Cyber Security tools, monitor upgrades, blade servers, PCs and laptops. Small underspend against budget forecast.	0
10014	A15	MHILARION	Craigbank Primary School Refurbishment	Lornshill Cluster	48,000	0	48,000	19,071	32,607	51,678	43,167	(4,833)	0	Retentions from Early Years Contract.	0
10015		AMURRAY	Safer Routes to School	Lornshill Cluster	338,000	0	338,000	273,579	86,590	360,169	338,000	(0)	0	Expected to spend on budget.	0
10017	A18	MHILARION	School Estate - Tullibody South Campus	Lornshill Cluster	1,650,000	0	1,650,000	471,852	652,224	1,124,076	810,000	(840,000)	0	Currently forecasting an underspend against budget. However there is now additional costs anticipated in relation to drainage, discussions ongoing with Scottish Water.	0

10020		JALLAN	School Interactive Display Replacement - Lornhill	Lornhill Cluster	139,941	0	139,941	128,537	9,307	137,843	137,843	(2,098)	2,098	Proposed carry forward of underspend into 2021/22.	0
10024	A25	MHILARION	Clackmannan Primary School Refurbishment/ Locality Hub	Lornhill Cluster	10,000	0	10,000	17,954	30,907	48,861	29,002	19,002	0	Overspend is due to retentions of Early Years Works completed in 2019/20.	0
10043	A44	MHILARION	Lochies Primary School - School Development	Lornhill Cluster	39,530	0	39,530	0	0	0	10,000	(29,530)	29,530	This project is part of the Learning Estates options appraisal. Feasibility study completed in year, remaining budget proposed carry forward into 2021/22.	0
10125	A61	MHILARION	Banchory Primary School - School Development	Lornhill Cluster	58,412	0	58,412	0	0	0	58,412	0	0	Heating upgrade and associated Works instructed to be completed in two phases during December 2020 and February 2021. Expected to spend on budget.	0
10149	A57	PLEONARD	Clackmannanshire Regeneration	Lornhill Cluster	854,475	0	854,475	30,062	129,943	160,005	325,000	(529,475)	529,475	There have been delays with this project, including planning. The timing of this project is anticipated to be rephased in 2021/22. Proposed carry forward of underspend into 2021/22.	0
10164	A60	CJARVIE	Clackmannan CAP	Lornhill Cluster	93,000	0	93,000	0	0	0	0	(93,000)	93,000	Community Asset Transfer. Proposed carry forward to 2021/22.	0
10201		MHILARION	The Orchard (CSS&PSS)	Lornhill Cluster	203,000	0	203,000	305,174	21,195	326,369	203,000	0	0	Expected to spend on budget. Expenditure and commitments being reviewed.	0
10205		MHILARION	Lornhill Academv	Lornhill Cluster	50,000	0	50,000	0	0	0	48,000	(2,000)	0	Expected to spend slightly under budget.	0
10217		MHILARION	Park Primary - P1 Provision	Lornhill Cluster	35,000	0	35,000	0	0	0	35,000	0	0	Works completed and final accounts to be completed.	0
Total Lornhill Cluster					3,567,704	0	3,567,704	1,254,924	965,077	2,220,002	2,081,455	(1,486,249)	654,103		0

**Total Community Investment Strategy** **13,705,720** **0** **13,705,720** **6,677,342** **2,983,729** **9,661,072** **10,096,758** **(3,608,962)** **2,763,140** **0**

#### Fleet Asset Management Strategy

<b>Fleet Asset Management Strategy</b>															
10062	E1	kphilliben	Vehicle Replacement	Fleet Asset Management Strategy	1,997,741	0	1,997,741	953,134	403,599	1,356,733	1,997,741	0	0	Fleet replacement budget fully earmarked, no under or overspend foreseen currently but may be impacted by any delays in supplier delivery.	0
Total Fleet Asset Management Strategy					1,997,741	0	1,997,741	953,134	403,599	1,356,733	1,997,741	0	0		0

**Total Fleet Asset Management Strategy** **1,997,741** **0** **1,997,741** **953,134** **403,599** **1,356,733** **1,997,741** **0** **0** **0**

#### IT Asset Management Strategy

<b>IT Asset Management Strategy</b>															
10041	A42	JALLAN	Schools ICT Replacement - All Primaries	All Clackmannanshire Areas	90,000	0	90,000	0	0	0	88,900	(1,100)	1,100	Planned expenditure of £88,900 forecasting a small underspend against budget.	0
10064	F1	JALLAN	IT Infrastructure	IT Asset Management Strategy	144,000	0	144,000	53,771	8,318	54,379	144,000	0	0	Upgraded wireless network and server room equipment. Expected to spend on budget.	0
10066	F3	JALLAN	Social Services Integrated System	IT Asset Management Strategy	393,405	0	393,405	0	0	0	0	(393,405)	0	Social services system will not be procured in 2020/21. This project will be considered as part of the capital planning process for 2021/22.	0
10067	F4	JALLAN	Digital Transformation	IT Asset Management Strategy	25,619	0	25,619	7,500	39,482	46,982	26,000	381	0	Road management system. Forecast small overspend.	0
10187		JALLAN	Digital Infrastructure	IT Asset Management Strategy	668,066	0	668,066	0	0	0	0	(668,066)	668,066	Project to install fibre into our schools and Council buildings. This work is being replanned to work around BT Openreach announcements. Proposed carry forward to 2021/22.	0
10202		JALLAN	Education Digital Devices - Chromebooks	IT Asset Management Strategy	192,304	0	192,304	26,530	0	26,530	192,240	(64)	0	Small underspend forecast against budget.	0
10207		JALLAN	Digital Foundations: M365	IT Asset Management Strategy	350,000	0	350,000	14,240	274,035	288,275	348,558	(1,442)	0	Small underspend forecast against budget.	0
10210		JALLAN	Homeworking	IT Asset Management Strategy	115,000	0	115,000	403	35,628	36,031	115,000	0	0	Expected to spend on budget.	0
Total IT Asset Management Strategy					1,978,394	0	1,978,394	102,443	357,463	452,197	914,698	(1,063,696)	669,166		0

**Total IT Asset Management Strategy** **1,978,394** **0** **1,978,394** **102,443** **357,463** **452,197** **914,698** **(1,063,696)** **669,166** **0**

#### Land Asset Management Strategy

<b>Land Asset Management Strategy</b>															
10061	D1	SWALKER	Wheeled Bins	Land Asset Management Strategy	30,000	0	30,000	29,071	5,371	34,442	29,071	(929)	0	Expected to spend on budget.	0
Total Land Asset Management Strategy					30,000	0	30,000	29,071	5,371	34,442	29,071	(929)	0		0

**Total Land Asset Management Strategy** **30,000** **0** **30,000** **29,071** **5,371** **34,442** **29,071** **(929)** **0** **0**

#### Property Asset Management Strategy

<b>Alloa Cluster</b>															
10191		PLEONARD	Town Centre Regeneration Fund	Alloa Cluster	621,118	0	621,118	0	573,334	573,334	621,118	0	0	Expected to spend on budget.	0
10208		MHILARION	Bowmar Community Hub	Alloa Cluster	550,000	0	550,000	0	0	0	20,000	(530,000)	530,000	This project has experienced delays. Part of the project includes roof works which is difficult during winter months.	(95,000)
10214		MHILARION	Kilncraigs - Roof	Alloa Cluster	50,000	0	50,000	0	0	0	50,000	0	0	Expected to spend on budget.	0
Total Alloa Cluster					1,221,118	0	1,221,118	0	573,334	573,334	691,118	(530,000)	530,000		(95,000)

<b>Property Asset Management Strategy</b>															
10045	B1	MHILARION	Statutory Compliance DDA Schools	Property Asset Management Strategy	17,000	0	17,000	37,178	11,116	48,295	17,453	453	0	Annual drawdown against multiple minor accessibility improvement projects.	0
10046	B2	MHILARION	Compliance - Asbestos Removal (Schools)	Property Asset Management Strategy	20,000	0	20,000	0	0	0	20,000	0	0	Annual drawdown for asbestos removal. Works in progress. Expected to spend on budget.	0
10212		PLEONARD	Car park works	Property Asset Management Strategy	68,000	0	68,000	0	1,218	1,218	0	(68,000)	68,000	Police integration. Proposed carry forward into 2021/22.	0
Total Property Asset Management Strategy					105,000	0	105,000	37,178	12,335	49,513	37,453	(67,547)	68,000		0

**Total Property Asset Management Strategy** **1,326,118** **0** **1,326,118** **37,178** **585,668** **622,846** **728,571** **(597,547)** **598,000** **0**

# Roads Asset Management Strategy

All Clackmannanshire Areas															
10176		AMURRAY	Electric Vehicle Charge Points	All Clackmannanshire Areas	130,552	0	130,552	11,023	119,528	130,552	130,552	(0)	0	Council contribution £20,815 and grant fund contribution £109,737. Grant is claimed after completion of works (early 2021/22). Expected to spend on budget.	0
Total All Clackmannanshire Areas					130,552	0	130,552	11,023	119,528	130,552	130,552	(0)	0		0
Road Asset Management Strategy															
10049	C2	AMURRAY	Flood Prevention	Road Asset Management Strategy	165,414	0	165,414	6,249	82,176	88,425	88,425	(76,989)	76,989	Projects at tender stage. No tenders have been received - projects will be delayed until 2021/22. Proposed carry forward into 2021/22.	0
10050	C3	AMURRAY	Cycle Routes	Road Asset Management Strategy	337,309	0	337,309	8,273	107,723	115,996	262,309	(75,000)	75,000	One project may slip into 2021/22 (value £75,000). Proposed carry forward into 2021/22.	0
10051	C4	SWALKER	Carriageways	Road Asset Management Strategy	1,894,000	0	1,894,000	1,459,807	179,592	1,639,399	1,894,000	0	0	Essential capital investment committed and all schemes programmed and underway.	0
10054	C7	AMURRAY	Bridge Improvements	Road Asset Management Strategy	50,000	0	50,000	0	7,431	7,431	7,431	(42,569)	42,569	No tenders received - projects will be delayed until 2021/22. Proposed carry forward into 2021/22.	0
10055	C8	AMURRAY	Road Safety	Road Asset Management Strategy	120,438	0	120,438	102	120,438	120,541	120,438	0	0	This project is fully funded by Cycle Walking Safer Routes funding from Scottish Government/ Transport Scotland. Grant claim in April 2021.	0
10056	C9	SWALKER	Lighting Replacement	Road Asset Management Strategy	250,000	0	250,000	71,694	41,049	112,742	250,000	(0)	0	Essential capital investment committed and all schemes programmed and underway.	0
10172		AMURRAY	Parking Management Scheme	Road Asset Management Strategy	100,000	0	100,000	0	2,880	2,880	5,000	(95,000)	0	Project delayed due to COVID. £95,000 virement to Bowmar Hub. Proposed carry forward of project to 2021/22.	95,000
10203		SWALKER	Roads Management System	Road Asset Management Strategy	10,000	0	10,000	0	0	0	10,000	0	0	Essential IT replacement, procurement progressed, awaiting award.	0
NEW		AMURRAY	Bus Priority Rapid Development Fund (BPRDF)	Road Asset Management Strategy	0	55,000	55,000	0	0	0	55,000	0	0	Project fully grant funded, which consists of three works.	0
Total Road Asset Management Strategy					2,927,161	55,000	2,982,161	1,546,126	541,289	2,087,414	2,692,603	(289,558)	194,558		95,000
Total Roads Asset Management Strategy					3,057,713	55,000	3,112,713	1,557,149	660,817	2,217,966	2,823,154	(289,559)	194,558		95,000

Total Capital Programme	22,095,686	55,000	22,150,686	9,356,317	4,996,648	14,345,255	16,589,993	(5,560,693)	4,224,864	0
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# Capital Project Funding

Funding	Project												
Government Capital Grant	General capital grant	(4,328,000)	0	(4,328,000)				(4,328,000)	0	0	Grant funding expected to be fully expended in year.		
Specific Government Grant - Cycle Walking Safer Streets	10050 & 10017	(226,000)	0	(226,000)				(225,000)	1,000	(1,000)	CWSR Grant is £225,000 for 2020/21.		
Early Learning and Childcare	Multiple projects	(1,300,000)	0	(1,300,000)				(1,300,000)	0	0	Grant funding expected to be fully expended in year.		
Clackmannan Regeneration	10149	(606,318)	0	(606,318)				0	606,318	(606,318)	Project delays and proposed carried forward into 2021/22.		
Regeneration Funding Bowmar	10208	(550,000)	0	(550,000)				(20,000)	530,000	(530,000)	Engagement with Scottish Government to determine whether this funding can be carried forward into 2021/22 with expenditure committed in 2020/21.		
Town Centre Regeneration Fund	10191	(621,118)	0	(621,118)				(621,118)	0	0	Grant funding expected to be fully expended in year.		
Education Digital Devices	10202	(192,304)	0	(192,304)				(192,304)	0	0	Grant funding expected to be fully expended in year.		
Sustrans - Alva Regeneration - Sustrans Places for Everyone - Alva Stirling Street	10140	(889,000)	0	(889,000)				0	889,000	(889,000)	Sustrans Grant available over 2 years 2020/21 and 2021/22, likely to be supplemented with further allocation of £137,000 in 2021/22.		
Sustrans - Alva Regeneration - Sustrans Places for Everyone - Alva Brook Street	10140	(130,000)	0	(130,000)				(130,000)	0	0	Grant funding expected to be fully expended in year. Grant to be claimed by June 2021.		
Sustrans - Sustrans Places for Everyone - Tullibody South Campus - School Road	10017	(238,000)	0	(238,000)				(238,000)	0	0	Sustrans Grant to be claimed by June 2021.		
Sustrans - Sustrans Places for Everyone - Sauchie to Lornhill Active Travel	10015	(254,000)	0	(254,000)				(254,000)	0	0	£246,000 for construction and £8,000 for design.		
Scottish Government - Bus Priority Rapid Development Fund (BPRDF)		0	(55,000)	(55,000)				(55,000)	0	0	Grant to be claimed by 31 March 2021.		
Electrical Charging Points	10176	(109,737)	0	(109,737)				(109,737)	0	0	Grant funding expected to be fully expended in year.		
Total Capital Funding		(9,444,477)	(55,000)	(9,499,477)	0	0	0	(7,473,159)	2,026,318	(2,026,318)			

Net Capital Programme	12,651,209	0	12,651,209	9,356,317	4,996,648	14,345,255	9,116,834	(3,534,375)	2,198,546	
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**Report to Audit Committee**

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**Date of Meeting: 4 February 2021**

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**Subject: Review of Risk Register**

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**Report by: Lindsay Thomson, Senior Manager Legal & Governance**

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**1.0 Purpose**

- 1.1. This report provides the regular update on Clackmannanshire Council's Corporate Risk Log (Appendix A). This report would also normally contain progress updates on Audit Scotland's recommendations following their audit of 2019/20 accounts however these recommendations are appearing for the first time on this agenda. A progress update on external audit recommendations will be brought to the next meeting.

**2.0 Recommendations**

- 2.1. That Committee notes the report, commenting and challenging as appropriate.

**3.0 Considerations**

**3.1. Purpose of Risk Management**

- 3.2. The Council has several key priorities which focus on how it will achieve the priorities set in the local outcome improvement plan and how it will transform the Council under the "Be the Future" programme. In order to plan how we will achieve these goals, we must also consider the internal and external challenges with the potential to prevent or hinder their achievement. An effective risk management approach ensures that the Council is aware of such factors and, where appropriate, takes action to reduce or remove risks to ensure the success of its initiatives. The purpose of risk management is not to prevent activities from taking place, but to ensure that all relevant factors are taken into account in their planning and execution so that the best possible outcomes are realised.
- 3.3. The impact of the coronavirus pandemic on the Council's services and on the local community has been profound. The Council had previously identified a public health emergency on its risk register but this had been in the context of a winter flu type of event. In a year of unparalleled uncertainty and challenge the management of risk has never been more important. In recent years it has been well recognised that Council officers and services deal on a daily

basis with a wide variety of operational risks to individuals, communities and internal management processes however the corporate risk management approach must take a wider, more strategic view and consider the implications of short-, medium- and long-term concerns, as well as (often complex) inter-dependencies. This approach has continued this year. The hierarchy of risk logs from teams, services, directorates (and partnerships), up to the corporate log should ensure that each level has holistic oversight of the most significant issues which must be monitored and managed. In addition, consideration of risk at an Incident Management level has been critical as has the risk assessment process which has formed a significant part of the Council's ability to respond and manage service provision safely.

- 3.4. In addition various steps are taken to integrate the corporate risk assessment process with key functions, such as Internal Audit, Human Resources (including Organisational Development and Health & Safety), Equalities, Communications, Asset Management and Sustainability, etc. Though External Audit's main focus is financial management, Audit Scotland's revised Best Value Assurance approach aims to enhance assessment of wider areas, such as performance and change management, to present a more comprehensive audit opinion.

### **3.5. Corporate Risk Management Process**

- 3.6. The corporate risk log is owned by the Strategic Leadership Group, and the Strategic Director – Partnership & Performance is responsible for the corporate Risk Management approach. The Council has a systematic risk process, reporting corporate and service risks to Committee on a regular basis although that has been impacted this year by the cancellation of some service committees.
- 3.7. Each corporate risk review involves gathering information from internal and external sources (environmental scanning) and review of the log by a range of different individuals and groups. This year this was done as part of the SLG meeting. As part of the review of the risk register this year we have:
- 3.8. Reviewed changes and developments in existing corporate and service risks (progress, controls and scores, and consider escalation/demotion);
- 3.9. Investigated emerging externally-identified risks for local relevance (local audit/inspection, other authorities and national themes);
- 3.10. Evaluated emerging internally-identified risks (ad hoc or through Internal Audits, self-assessments or the Annual Governance Statement process).
- 3.11. Considered risks with implications across multiple services, or assessed as significant for any specific area, are considered for escalation to the corporate log, where they are managed until their severity reduces. Risks are recorded on the Pentana Performance Management System and linked to outcomes, actions (or overall plans/strategies) and existing controls (policies, procedures, scrutiny, etc.). It would be impossible to remove all risk from our operations as most functions have inherent risks, as do most changes. The risk of not developing and improving would also involve other types of risk, such as failing to fulfil statutory duties, comply with new legislation or take

advantage of improvement opportunities/new technologies, etc. The aim, therefore, is not to be 'risk averse' but 'risk aware'.

3.12. We identify our approach to managing each risk as:

3.13. Treat: we will take action to reduce the risk;

3.14. Tolerate: actions within our control have been completed and plans are in place;

3.15. Transfer: the risk will be passed to another party, such as insurers;

3.16. Terminate: the activity that is causing the risk will be ceased.

### **3.17. Development & Improvement**

3.18. Since the last report on risk in December 2019, one of the main focusses of the Council's risk management has been the response to the pandemic. This review of the risk register captured some of the challenges anticipated by the Council and community's response to the pandemic but there is still much work to do as the response and recover phases continue. It is likely that there will be significant impacts on the local community and economy and on the Council's own financial position and service delivery. The corporate risk log will need to record and assess those strategic risks in terms of ongoing impact and mitigation as they develop.

3.19. The Corporate Risk & Integrity Forum has continued to meet approximately quarterly at the Extended Strategic Leadership Group, with updates from ad hoc attendees, depending on the current risk profile. This strengthens focus on risk, visibility, ownership and input at a senior level, and provides flexibility to address the most significant risks at any time, ensuring timely steps are taken to minimise negative impact on the achievement of outcomes.

3.20. All senior managers attended a two day course on risk management delivered by Gallagher Bassett at the start of 2020 and this has provided additional tools and approaches to managing risk which has been valuable over the last year.

3.21. It was recognised that the risk strategy should undergo a review and recent learning will be incorporated into that review. The review will be presented to Committee in due course. This review will take into consideration the Local Outcomes Improvement Plan (LOIP) and the priorities being identified and considered by Council as part of the Be the Future transformation plan and in light of recent management appointments and re-structuring progress. The business planning cycle will also incorporate consideration of risk so that the strategic corporate risk assessment will flow to the service and team reviews. This should fully refresh and align risk logs to the Council and Alliance's aims.

3.22. In future, corporate risks will be reported as part of the Corporate Plan, alongside progress on key strategies and the Local Government Benchmarking Framework, to provide a holistic answer to the questions: 'how are we performing?', 'what are we doing about it?' and 'what might get in the way?'.

## Corporate Risk Log – Appendix A

- 3.23. Appendix A presents the corporate risk log. As seen in the current risk profile, the impact of the pandemic colours a significant proportion of the log and that is expected to continue as we enter the recovery phase. The Council was already in a period of transition as changes in leadership/structures were embedded, and other processes reviewed and this is reflected in high scores for transformation and financial sustainability. As well as internal issues, wider political, social and economic factors also continue to present uncertainties. In particular, the EU exit risk still scores highly.
- 3.24. The appendix summarises the key changes to the risk log and set out the detail of each risk, the mitigations The key messages are:
- 3.25. 3 risks have increased – poverty, harm to children and public health emergency
- 3.26. 12 risks remain the same
- 3.27. 1 risk has reduced – further consideration of this risk will be given in light of the recent power supply issue in Tillicoultry
- 3.28. No risks have been newly added to the log

## 4.0 Sustainability Implications

- 4.1. None

## 5.0 Resource Implications

### 5.1. *Financial Details*

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

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

### 5.4. *Staffing*

## 6.0 Exempt Reports

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

## 7.0 Declarations

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



(1) **Our Priorities** (Please double click on the check box ☒)

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

(2) **Council Policies** (Please detail)

**8.0 Equalities Impact**

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

Yes ☐ No x

**9.0 Legality**

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

**10.0 Appendices**

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

Appendix A corporate risk log

**11.0 Background Papers**

- 11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No x

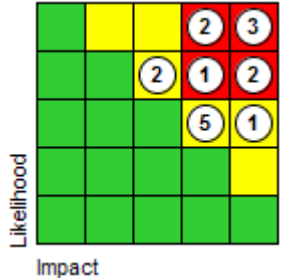
**Author(s)**

































NAME	DESIGNATION	TEL NO / EXTENSION
Lindsay Thomson	Senior Manager Legal & Governance	2084

**Approved by**

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Director partnership & Performance	



# Appendix A - Corporate Risk Log



Summary of Changes	Distribution of Scores
<p>At the 2020/21 half year stage (out of a total of 16 risks):</p> <p><b>Status</b></p> <p>8 risks are red (7 in previous report – 2019/20 half year stage)              8 risks are amber (10 in previous report)              No risks are green (1 in previous report)              2 risks were removed from the log after the previous report</p> <p><b>Approach</b></p> <p>13 risks are being <b>Treated</b> (14 in previous report)              3 risks must be <b>Tolerated</b> (4 in previous report)</p> <p><b>Change in Scores Since Last Review</b></p> <p>3 risks have increased              12 risks remain the same              1 risk has reduced              No risks have been newly added to the log</p>	



Code	Title	Score	Status	Approach	Change
COU CRR 005	Impact of Poverty, Inequality & Changing Demographics	20		Treat	
COU CRR 008	Insufficient Financial Resilience	25		Treat	
COU CRR 011	Harm to Child(ren)	20		Treat	
COU CRR 012	Health & Safety Breach	20		Treat	
COU CRR 022	Public Health Emergency	25		Tolerate	
COU CRR 033	Major Governance Failure	16		Treat	
COU CRR 034	Insufficient Pace and Scale of Organisational Transformation	25		Treat	
COU CRR 045	Unknown Terms of EU Withdrawal	20		Treat	
COU CRR 009	Information Not Managed Effectively	12		Treat	
COU CRR 031	Failure to Prepare for Severe Weather Events	12		Tolerate	
COU CRR 037	Failure to Address Serious Organised Crime	12		Treat	
COU CRR 038	Failure to Prevent Extremism and/or Radicalisation	15		Treat	
COU CRR 040	Failure of Public Utility Supply	12		Tolerate	
COU CRR 046	IT System Failure	12		Treat	
COU CRR 047	Inadequate Workforce Planning	12		Treat	
COU CRR 048	Increasing Attainment Gap	12		Treat	







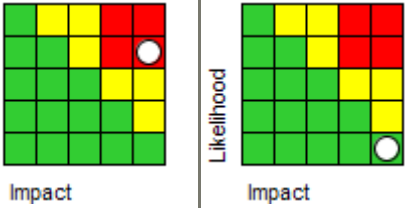
## Approach Treat



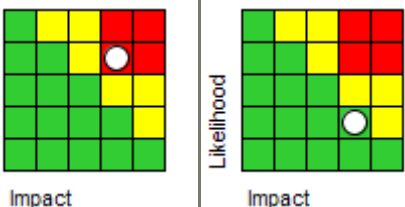
		<b>Insufficient Financial Resilience</b>	Senior Manager Finance & Revenues		Current Score	25	Target Score	5
Risk	The Council does not have a balanced budget to meet essential service demands, customer needs, or external agendas.				<div><div>Likelihood</div><div>Impact</div></div>		<div><div>Likelihood</div><div>Impact</div></div>	
Potential Impact	Reputational and legal implications and severe, extended loss of service provision. Possibility of Alliance, Health & Social Care and other partners also experiencing budget pressures contributes to potential impact, given the interdependencies.							
Note	The cumulative funding gap to 2023 has been reduced from £20.5m to £14.5m as reported to Council in December 2020. Although this has reduced, there is a continuing need for service redesign to ensure service delivery. Given the significant savings already achieved, as well as impacts and costs relating to Covid, and challenges around national budget uncertainty, it is extremely challenging to identify new proposals. Significant priority is being given to progressing the Council's organisational redesign and transformational change.							
Related Actions	Audit of 2018/19 Accounts by Audit Scotland		COU EXA 189	Existing Controls	Budget Strategy & Monitoring			
	Use the agreed strategic change framework and organisational design principles to implement a whole organisation redesign		EXA BVA 1A0		Procurement Strategy			
	Balance the drive for savings with the need for sufficient officer time and skills to support change and consider how to make more use of external assistance to support improvement		EXA BVA 4F0		Change Management Board			



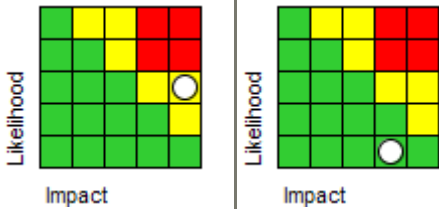
		<b>Insufficient Pace and Scale of Organisational Transformation</b>	Chief Executive		Current Score	25	Target Score	5
Risk	The Council fails to proactively drive the fundamental redesign of services and organisational planning/development with the speed required to address the funding gap due to ineffective change management.				<div><div>Likelihood</div><div>Impact</div></div>		<div><div>Likelihood</div><div>Impact</div></div>	
Potential Impact	Failure to maintain the required level of provision for statutory services. The corporate business improvement programme does not establish sustainable service delivery and a sustainable cost base for the future.							
Note	There are still significant risks associated with the ongoing COVID-19 pandemic and the Council's ability to balance the need to continue to provide core service with the ability to resource transformation projects.  Significant work has been undertaken since the summer to review the Transformation Programme, resulting in seven key priorities being identified. Further work is still required to prioritise the projects that sit within each priority.  Key posts will soon be recruited into, including a Strategic Director (Transformation) and Project Managers and Business Analysts within the Council's PMO will increase the capacity dedicated to the Transformation Programme.							
Related Actions	Be the Future Transformation Programme		COU BTF	Existing Controls	Be the Future Board			



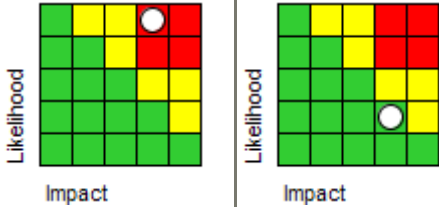
		<b>Impact of Poverty, Inequality &amp; Changing Demographics</b>	Chief Executive	Current Score	20	Target Score	5
Risk	Services are not appropriately redesigned based on changing needs in relation to the ageing population, health, complexity of care or socio-economic factors, specifically poor outcomes associated with welfare reform, poverty and/or inequality.			<div><div>Likelihood</div><div>Impact</div></div>		<div><div>Likelihood</div><div>Impact</div></div>	
Potential Impact	Inappropriate allocation of resources & assets, misalignment of corporate objectives to need, inability to demonstrate Best Value, and possible financial and reputational consequences of responding to unplanned situations.						
Note	The LOIP sets out partnership outcomes, based on demographic & demand analysis. While 8 local priorities in the Health & Care Strategic Plan will strengthen community & place-based services. Key priorities are to reduce children living in poverty; to develop inclusive growth and to empower families and communities in Clackmannanshire. Plans and actions are in place, or are developing, to address these key priorities, including significant activity with a range of partners on City Region Deal, Community Wellbeing and Community Wealth Building. Data. Research and evidence based approaches routinely informs decision-making, and work is ongoing to develop plans from the Clacks Effect research completed in late 2018. The rating for this risk has been increased to reflect local planning assumptions arising from EU withdrawal, as well as the impact of the Covid pandemic.						
Related Actions	Clackmannanshire Alliance Local Outcome Improvement Plan 2017-27			CPP LOI	Existing Controls	Customer Consultation & Engagement	
	Implement Health & Care Partnership Strategic Delivery Plan			CRR HSC SDP		Budget Strategy & Monitoring	



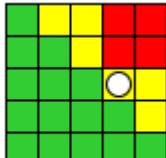
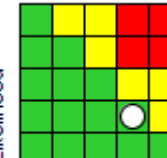
		<b>Unknown Terms of EU Withdrawal</b>	Chief Executive	Current Score	20	Target Score	9
Risk	The Council is unable to prepare for the potential impact of Brexit due to uncertainty around the terms of withdrawal, future relationships with European Union nations, or the timing of withdrawal (possible extension of Article 50 period).			<div><div>Likelihood</div><div>Impact</div></div>		<div><div>Likelihood</div><div>Impact</div></div>	
Potential Impact	Inability to assess/mitigate/prepare for impact on migration, trade, regulation, security, or wider impacts across sectors (see Brexit Update to Council, 25-Oct-18). Also differing geographical impacts for Clacks (economic resilience) and Scotland (food/drink) than UK. Local impact most likely workforce, economy/procurement & value/funding of goods & services.						
Note	Work is ongoing to assess and monitor the potential impacts of EU withdrawal based on the Scottish and UK planning assumptions. Information has been shared with employees, elected members and with communities on potential impacts and to plan mitigations. Information for employees and communities has been shared on the Council website. Work in partnerships with resilience partners, COSLA and SOLACE is ongoing. The Councils resilience planning and preparations for Business Continuity have been further developed and enhanced in recent months.						
Related Actions					Existing Controls	Brexit Update Reports to Council	



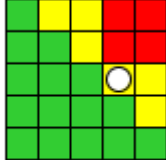
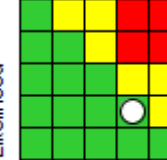
		<b>Health &amp; Safety Breach</b>	Chief Executive			Current Score	20	Target Score	5
Risk	Incident or statutory breach results in injury or death of staff member or customer due to lack of awareness or non-compliance with policies and procedures. Incidents may also arise from third parties actions, outwith Council control.					<div><div>Likelihood</div><div></div><div>Impact</div></div>			
Potential Impact	The effects on individuals and their families, financial penalties (including Health & Safety Executive intervention fees), criminal proceedings, adverse publicity, increased insurance or damage to Council assets.								
Note	H&S development work has been significantly interrupted as the team has been heavily involved in establishing safe working arrangements in light of the Covid 19 pandemic. During the 3 months to December 2020, 48 building assessments and 422 individual risk assessments were completed, with a range of control measures introduced.								
Related Actions	Health & Safety action plan, based on recommendations from Gallagher Bassett			CRR P&P HR1	Existing Controls	Health & Safety Management System			
	Governance improvement actions across all services			CRR P&P LD1		Health & Safety Handbook for Managers			

		<b>Major Governance Failure</b>	Senior Manager Legal & Governance			Current Score	16	Target Score	8
Risk	A significant failure of compliance with statutory duties due to a lack of awareness or understanding of corporate policies or codes of conduct, or through non-adherence, including through management or elected member override of controls.					<div><div>Likelihood</div><div></div><div>Impact</div></div>			
Potential Impact	Significant reputational damage, injury or loss of life, legal action, financial loss or disruption to service delivery. Staffing changes and re-design reaffirm need to closely monitor & manage compliance with statutory requirements & good practice.								
Note	This risk remains high, particularly in context of the pandemic. New committee structures have been in place since August. Standing Orders & Scheme of Delegation will be revised by the end of the financial year to reflect new appointments & responsibilities.								
Related Actions	Audit of 2018/19 Accounts by Audit Scotland			COU EXA 189	Existing Controls	Scheme of Delegation			
	Annual Internal Audit & Fraud Programme			COU IAF		Governance & Audit Processes			
	Governance improvement actions across all services			CRR P&P LD1		Committee Structures & Remits			



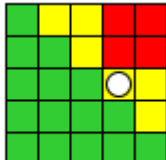
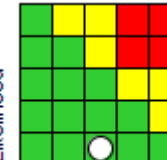
		<b>Failure to Prevent Extremism and/or Radicalisation</b>	Senior Manager Partnership & Transformation			Current Score	15	Target Score	4
Risk	Radicalisation of someone from the area results in terrorist incident (or other malicious attack), causing physical or financial harm to individuals or groups (here or elsewhere), or fear of such an incident affects quality of life.								
Potential Impact	Casualties/fatalities, property/infrastructure damage, need for evacuation/temporary housing or wider economic damage. Financial harm to individuals, businesses or the Council. Disruption to services or reputational/legal implications.								
Note	Continue to implement CONTEST delivery plan through work with our partners. Internal audit was completed in 2018 with substantial assurance provided. Training on Prevent Professional Concerns and development workshops delivered by Scottish Government attended by key staff in March 2019.								
Related Actions	Actions from Internal Audit of CONTEST, Prevent & Serious Organised Crime Readiness			CRR P&P SP2	Existing Controls	Forth Valley Local Resilience Partnership			
						CONTEST Delivery Plan & Working Groups			
						WRAP Training (High Priority Staff)			



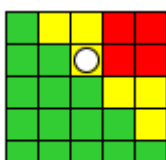
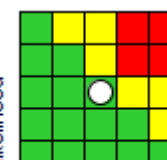
		<b>Harm to Child(ren)</b>	Strategic Director - People			Current Score	20	Target Score	8
Risk	A lack of capacity or stability in key roles reduces the Council's ability to fulfil statutory requirements and intervene to prevent the serious harm of a child/children.								
Potential Impact	Effects of injury or death on individual, family, friends & staff members, reputational & legal implications, with associated costs, as well as impact of reputational damage & negative publicity on morale, workforce development and sustainability.								
Note	Due to Covid and impact, this risk is being re-assessed in the context of the 'Four Harms'.								
Related Actions	Develop and Implement a new Corporate Parenting Strategy for 2018/2021			LOI LP1 102	Existing Controls	Child Protection Procedures			
	Children's Services Plan 2017-2020			PPL CSP		Public Protection Forum			
	People Directorate Business Plan			PPL DBP		Child Protection Committee			



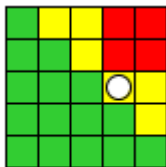
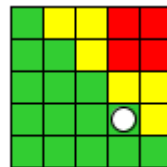
		<b>Increasing Attainment Gap</b>	Improving Outcomes Manager - Senior Phase		Current Score	12	Target Score	8
Risk	The Council fails to reduce the educational attainment gap between pupils from more and less deprived areas due to financial pressures, workforce issues, or wider economic, demographic and poverty-related issues.				<div>Likelihood</div> <div></div> <div>Impact</div>		<div>Likelihood</div> <div></div> <div>Impact</div>	
Potential Impact	Reputational damage, implications for inspection & funding, and continued poor school leaver destinations, participation & young people reaching potential, longer-term impacts on social mobility, poverty, life chances and economic growth.							
Note	The educational impact of the Covid-19 pandemic, subsequent closure of schools, and reliance on home learning is being assessed now the children have returned to school. Any remedial, catch-up education to improve attainment will be planned and provided, with each school having a Covid-19 recovery plan approved by Education Scotland. Schools will be supported by the IO Principal Teachers, specific government funding for additional staff, provision of digital learning resources and equipment and a greater focus on outdoor learning across all sectors. Health and wellbeing impacts are being addressed and supported by Educational Psychology and partner agencies.							
Related Actions	People Directorate Business Plan		PPL DBP	Existing Controls	Education Senior Management Team			
	Covid-19 Education Recovery Plan		PPL EDU CRP		Scottish Attainment Challenge			
	Scottish Attainment Challenge Action Plan 2020/21		PPL EDU SAC		National Improvement Framework			

		<b>Failure to Address Serious Organised Crime</b>	Senior Manager Partnership & Transformation		Current Score	12	Target Score	8
Risk	Public bodies fail to address organised crime involving drugs, violence, fraud, corruption, money laundering and/or human trafficking (with women and girls particularly vulnerable), due to a lack of preventative processes or information sharing.				<div>Likelihood</div> <div></div> <div>Impact</div>		<div>Likelihood</div> <div></div> <div>Impact</div>	
Potential Impact	Physical or financial harm to individuals, businesses, communities or the Council. Direct or indirect disruption to Council services and associated reputational and/or legal implications.							
Note	Situational awareness and monitoring of significant developments or intelligence is ongoing. Web pages for staff have been updated with the latest advice on cyber crimes and keeping safe.							
Related Actions	Serious Organised Crime action plan, based on Police Scotland self-assessment		COU SOC	Existing Controls	Serious Organised Crime Delivery Plan			
	Implement Council CONTEST Delivery Plan, based on the Government's CONTEST Strategy		CRR P&P SP1		Let Scotland Flourish Strategy			
	Actions from Internal Audit of CONTEST, Prevent & Serious Organised Crime Readiness		CRR P&P SP2		National Fraud Initiative			



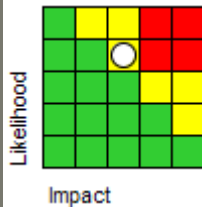


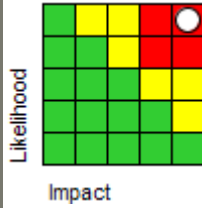




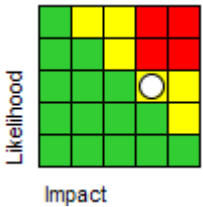
		<b>Inadequate Workforce Planning</b>	Senior Manager HR & Workforce Development	Current Score	12	Target Score	3
Risk	Due to a lack of workforce planning, the Council fails to adequately develop its workforce to ensure that skills, knowledge and structures are appropriate, sustainable, financially viable, and compatible with our corporate vision.			<div>Likelihood</div>  <div>Impact</div>		<div>Likelihood</div>  <div>Impact</div>	
Potential Impact	Lack of intelligence on opportunities & threats around workforce development, resulting in under-investment in workforce and increasing disconnect between the people and skills we have, versus the people and skills we need for the future.						
Note	Council approved the Strategic Workforce Plan (2019-22) in June 2019. This identifies the key workforce development priorities for the Council, and establishes a detailed plan of work for the next three years (via the annexed workforce development delivery plan). As we move through the implementation of this plan, the likelihood of this risk occurring will reduce.						
Related Actions	Implement the Workforce Plan 2019-22 once approved by Council			CRR P&P HR3	Existing Controls	Strategic Workforce Plan	

		<b>IT System Failure</b>	Senior Manager Partnership & Transformation	Current Score	12	Target Score	9
Risk	Full or partial loss of network/hardware/software/telecoms technologies (temporary or prolonged) due to cyber attack/other emergency, failure to manage maintenance/backups/suppliers/contracts, or lack of investment in systems/staff/training (i.e. failure of IT services to uphold priorities of Confidentiality, Integrity and Availability).			<div>Likelihood</div>  <div>Impact</div>		<div>Likelihood</div>  <div>Impact</div>	
Potential Impact	Financial impact from loss of productivity, service disruption (inc. statutory/vulnerable groups), inability to communicate, harm to staff/customers (access to records/Potentially Violent Persons register) & legal/regulatory/reputational implications.						
Note	A large programme to facilitate remote working has been rolled out, with investment in new IT kit and existing kit re-provisioned to meet immediate needs and ensure continuity of service delivery. Council agreed to the procurement of Microsoft 365, which will ensure ongoing business efficiency, compliance with national security standards and continuity in the face of a period of uncertainty. An annual Cyber Security report is being introduced to the Audit Committee forward plan to enable closer scrutiny of the Council's arrangements.						
Related Actions	Develop & deliver the Council's Digital Transformation Strategy			CRR P&P IT1	Existing Controls	Business Continuity Plans	
	Complete actions from IT Asset Management Plan			CRR P&P IT2		Service Level Agreements & Contracts	

		Information Not Managed Effectively	Senior Manager Legal & Governance			Current Score	12	Target Score	8
Risk	Information is not protected due to lack of compliance with information sharing, data protection, records management or IT principles/protocols (Confidentiality, Integrity & Availability), or poor management of information leads to inefficiency (duplication across multiple systems) and decisions based on poor quality/inaccurate business intelligence.					<div><div>Likelihood</div><div>Impact</div></div>		<div><div>Likelihood</div><div>Impact</div></div>	
Potential Impact	Legal/reputational/financial implications from breaches, inefficiencies costing time/money, non-completion of (possibly statutory) duties. Loss of productivity, impacting morale, or uninformed decision-making if information not available/used.								
Note	Ongoing work and education around technical and operational controls. CyberEssentials achieved. Focus on Clacks Academy mandatory training. Ongoing consolidation of systems. Council reorganisation brings negative impacts to management of information. Terms of Reference for Information Governance Group approved by ESLG. Digital Strategy going to Council 18th April.								
Related Actions	GDPR Implementation Project Plan			COU GDP	Existing Controls	Data Sharing Agreements			
	Develop & deliver the Council's Digital Transformation Strategy			CRR P&P IT1		GDPR Guidance & Training			
	Develop a programme of digitisation to support redesign and service change			EXA BVA 1A4		Records Management Working Group			

## Approach Tolerate

		Failure of Public Utility Supply	Strategic Director - Partnership & Performance	Current Score	12	Existing Controls
Risk	Loss of gas, electricity, water or communications over a significant area due to failure of a provider's infrastructure as a result of a local or national event.					Business Continuity Plans
Potential Effect	Fatality, injury or health risk, requirement to evacuate & find alternative accommodation, including for vulnerable people. Disruption to businesses, with potentially large costs, and impact on contact with health, care and emergency services.					Major Incident Procedures
Note	Risk reduced slightly due to planning and preparations but remains a concern due to infrastructure & power interdependencies, particularly black start outage recovery time (now believed to be minimum 7 days). Priority for the Resilience community, particularly due to Councils' duty of care. Planning & work ongoing, regular testing of plans, lessons learned from previous incidents and quarterly meetings with resilience partners including SPEN, SGN and Scottish Water.					Emergency Response Plan
		Public Health Emergency	Chief Executive	Current Score	25	Existing Controls
Risk	Significant numbers of Council staff and customers become ill due to the occurrence of a public health emergency, such as a flu pandemic, with spread potentially exacerbated through failure to vaccinate or follow hygiene protocols.					Business Continuity Plans
Potential Effect	Short- & long-term health implications for public & staff (inc. absence if ill or caring for others). Disruption to support & front-line services, inc. to already vulnerable groups. Consideration required of minimal service provision requirements.					Pandemic Flu Plan
Note	The Covid 19 pandemic is an ongoing live issue. The Council's Incident Management Plan was implemented on the 9 March, 2020 and Major Emergency Operating Procedures (MEOPs) were agreed and enacted. All Business Continuity plans have been reviewed and we are actively involved in response planning with the Forth Valley Resilience Partnership. Continuity of crucial services has largely been achieved, but the current and predicted increasing transmission rates is giving significant cause for concern and the risk score has been increased accordingly.					Major Incident Procedures

		Failure to Prepare for Severe Weather Events	Strategic Director of Place	Current Score	12	Existing Controls
Risk	Inability to respond to severe weather events due to lack of appropriate planning & equipment (e.g. 4x4 vehicles). Most likely flooding from rain/coastal surge, winter weather or heatwave (increasing frequency & severity due to climate change).				Business Continuity Plans	
Potential Effect	Widespread community dislocation, damage to property, businesses, roads & utility infrastructure (inc. telecoms & power), or inability of staff to get to workplace. Increased workload in numerous services, impact on delivery, reputation & finances.				Winter & Flood Management Plan	
Note	During the 3 months to December 2020, we have evacuated properties following flooding in Hillfoots. 2 new flood resilience groups were established in Alva and Dollar Discussions are also taking place with Police Scotland on how to improve community resilience response for flooding e.g road closures on minor roads.				Forth Valley Local Resilience Partnership	

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**Report to Audit Committee**

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**Date of Meeting: 4 February 2020**

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**Subject: Audit Committee Forward Plan 2021/22**

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**Report by: Strategic Director, Partnership & Performance**

---

**1.0 Purpose**

- 1.1. The purpose of this report is to present a forward plan for Audit Committee.

**2.0 Recommendations**

- 2.1. It is recommended that Committee:
- 2.2. endorse the forward plan as set out at Appendix 1, subject to it being approved by Council;

**3.0 Considerations**

- 3.1. This report outlines a schedule of reports (Appendix 1) for Audit Committee up to March 2022. The Forward Plan reflects the remit of Audit Committee as approved by Council in August 2018.
- 3.2. Whilst the Plan covers the Committee's core remit, it should be noted that it may vary during the course of the year to accommodate unanticipated developments.
- 3.3. There are no financial implications arising from this report.

**4.0 Sustainability Implications**

- 4.1. There are no sustainability implications arising from this report.

**5.0 Resource Implications**

**5.1. Financial Details**

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

Yes

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

5.4. *Staffing – there are no staff implications arising from this report.*

## 6.0 Exempt Reports

6.1. Is this report exempt? No

## 7.0 Declarations

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

(1) **Our Priorities** (Please double click on the check box ☒)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all	<input type="checkbox"/>
Our families; children and young people will have the best possible start in life	<input type="checkbox"/>
Women and girls will be confident and aspirational, and achieve their full potential	<input type="checkbox"/>
Our communities will be resilient and empowered so that they can thrive and flourish	<input type="checkbox"/>

(2) **Council Policies** (Please detail)

## 8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
An EQIA is not applicable in this context.

## 9.0 Legality

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

## 10.0 Appendices

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

Appendix 1 – Audit Committee Forward Plan 2021/22

## 11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at

which the report is considered)


Yes ☐ (please list the documents below)

- **Council Decision Making Framework – Update, Report to Council 23 August 2018**

**Author(s)**

NAME	DESIGNATION	TEL NO / EXTENSION
Stuart Crickmar	Strategic Director	2127

**Approved by**

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Strategic Director	





# Audit Committee Forward Plan 2021

Meeting	Date	Title of Report	Service/Lead Officer
<b>APRIL 2021</b>			
AUDIT	29 APRIL	Council financial outturn: December	Senior Manager: Finance & Revenues
		Corporate Plan Annual Review	Senior Manager: Legal & Governance
		Procurement Strategy Review	Senior Manager: Finance & Revenues
		Exceptions to Contract Standing Orders	Senior Manager: Finance & Revenues
		Internal Audit Plan 2021/22	Internal Audit Manager
		External Audit Management Report 2020/21	External Auditor
		Building Security Update	Strategic Director
		Fraud Strategy	Senior Manager: Legal & Governance
<b>JUNE 2021</b>			
AUDIT	17 JUNE	Council financial outturn: Year end	Senior Manager: Finance & Revenues
		Funded Organisations 2020/21 – Annual Update (including Impacts of COVID 19 & spotlight on specific orgs)	Senior Manager: Partnership & Transformation
		Exceptions to Contract Standing Orders	Senior Manager: Finance & Revenues
		Internal Audit Annual Assurance Report 2020/21	Internal Audit Manager
		Local Government Benchmarking Framework 2019/20	Senior Manager: Legal & Governance
		Corporate Risk & External Audit Actions Update	Senior Manager: Legal & Governance
		Health & Safety Annual Report	Senior Manager: HR & Workforce Planning
		Annual Governance Statement (including impacts of COVID 19 on governance arrangements)	Senior Manager: Legal & Governance
<b>SEPTEMBER 2021</b>			
AUDIT	30 SEPTEMBER	Financial Statements 2020/21	Senior Manager: Finance & Revenues
		Annual report to those charged with Governance and the Controller of Audit for Financial Year Ended 2020-21	External Auditor
		Internal Audit Progress Report	Internal Audit
		Council financial outturn: June	Senior Manager: Finance & Revenues
		Procurement Annual Report	Senior Manager: Finance & Revenues
		Exceptions to Contract Standing Orders	Senior Manager: Finance & Revenues
		Annual Complaints Report	Senior Manager: Legal & Governance

Meeting	Date	Title of Report	Service/Lead Officer
		Cyber Security Report	Senior Manager: Partnership & Transformation
<b>DECEMBER 2021</b>			
AUDIT	2 DECEMBER	Council financial outturn: August	Senior Manager: Finance & Revenues
		Exceptions to Contract Standing Orders	Senior Manager: Finance & Revenues
		Corporate Risk & External Audit Actions Update	Senior Manager: Legal & Governance
		Internal Audit Progress Report	Internal Audit Manager
		National Scrutiny Plan	Strategic Director
<b>FEBRUARY 2022</b>			
AUDIT	3 FEBRUARY	Council financial outturn: October	Senior Manager: Finance & Revenues
		Annual Fraud Report	Senior Manager: Legal & Governance
		External Audit Planning Report	External Auditor
		Audit Forward Plan	Strategic Director
		Exceptions to Contract Standing Orders	Senior Manager: Finance & Revenues

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**Report to: Audit Committee**

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**Date of Meeting: 4 February 2021**

---

**Subject: Financial Statements 2019/20**

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**Report by: Chief Finance Officer**

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## **1.0 Purpose**

- 1.1. This report provides the council with the Audited Financial Statements for the Council for the financial year 2019/20 to 31 March 2020. The report highlights the material changes that have been made to the draft financial statements during the audit period.

## **2.0 Recommendations**

It is recommended that the Committee:

- 2.1. approve the 2019/20 Financial Statements;
- 2.2. approve the submission of the Financial Statements to the Controller of Audit, and
- 2.3. otherwise note the contents of the report.

## **3.0 Considerations**

- 3.1. The accounts have been prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20*. The Financial Statements show the actual figures for 2019/20 and the comparable figures for 2018/19.
- 3.2. Due to additional workload within the finance team supporting the Council in its response to coronavirus, the preparation and the submission of the draft and final annual accounts have been finalised later than usual. This planned extension was in line with the provisions within the Coronavirus (Scotland) Act 2020.

## **4.0 Material Changes to the Financial Statements**

### **Income and Expenditure Restatement**

- 4.1 As a result of the audit, the only material adjustment to the draft financial statements was to the income and expenditure account. This accounting adjustment resulted in a reduction in income by £13.3m and a corresponding increase in expenditure of the same amount. This adjustment corrected transactions that were initially coded to

income but should have been offset against expenditure. These adjustments comprised of:

- Pensions £10.2m;
- Support service recharges £1.3m, and
- Internal trading income £1.8m

4.2 There is no impact on the total net expenditure line or the level of reserves as a result of this adjustment.

4.3 During the audit process, a number of disclosure enhancements were recommended by the external auditors and these have been made to the accounts. These additional disclosures help to aid the understanding of the reader of the accounts.

## **5.0 Conclusion**

5.1 The financial statements have been audited by Audit Scotland and the adjustments noted above have been disclosed and reflected in the audited financial statements.

5.2 There has been no impact on the net expenditure or the level of reserves as a result of these adjustments.

5.3 It is recommended that the Financial Statements are approved for submission to the Controller of Audit.

## **6.0 Sustainability Implications**

6.1 Not applicable

## **7.0 Resource Implications**

### *7.1 Financial Details*

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

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

### *7.4 Staffing*

## **8.0 Exempt Reports**

8.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

## **9.0 Declarations**

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

(1) **Our Priorities**

- The area has a positive image and attracts people and businesses ☐
- Our communities are more cohesive and inclusive ☐
- People are better skilled, trained and ready for learning and employment ☐
- Our communities are safer ☐
- Vulnerable people and families are supported ☐
- Substance misuse and its effects are reduced ☐
- Health is improving and health inequalities are reducing ☐
- The environment is protected and enhanced for all ☐
- The Council is effective, efficient and recognised for excellence ☒

**10.0 Equalities Impact**

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

Yes ☐ No ☒

**11.0 Legality**

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

**12.0 Appendices**

- 12.1 Audited Financial Statements 2019/20

**13.0 Background Papers**

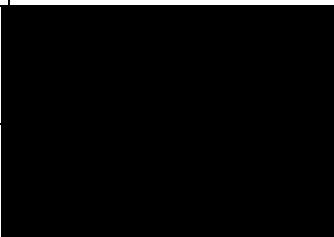
- 13.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered) Yes ☒

**Council Draft and Audited Financial statements 2019/20**

**Author(s)**

NAME	DESIGNATION	TEL NO / EXTENSION
Lindsay Sim	Chief Financial Officer	2022

**Approved by**

NAME	DESIGNATION	SIGNATURE
Lindsay Sim	Chief Finance Officer	
Stuart Crickmar	Director Partnership and Performance	

# **CLACKMANNANSHIRE COUNCIL FINANCIAL STATEMENTS 2019/20**



## **Our Values**



# CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2019/20

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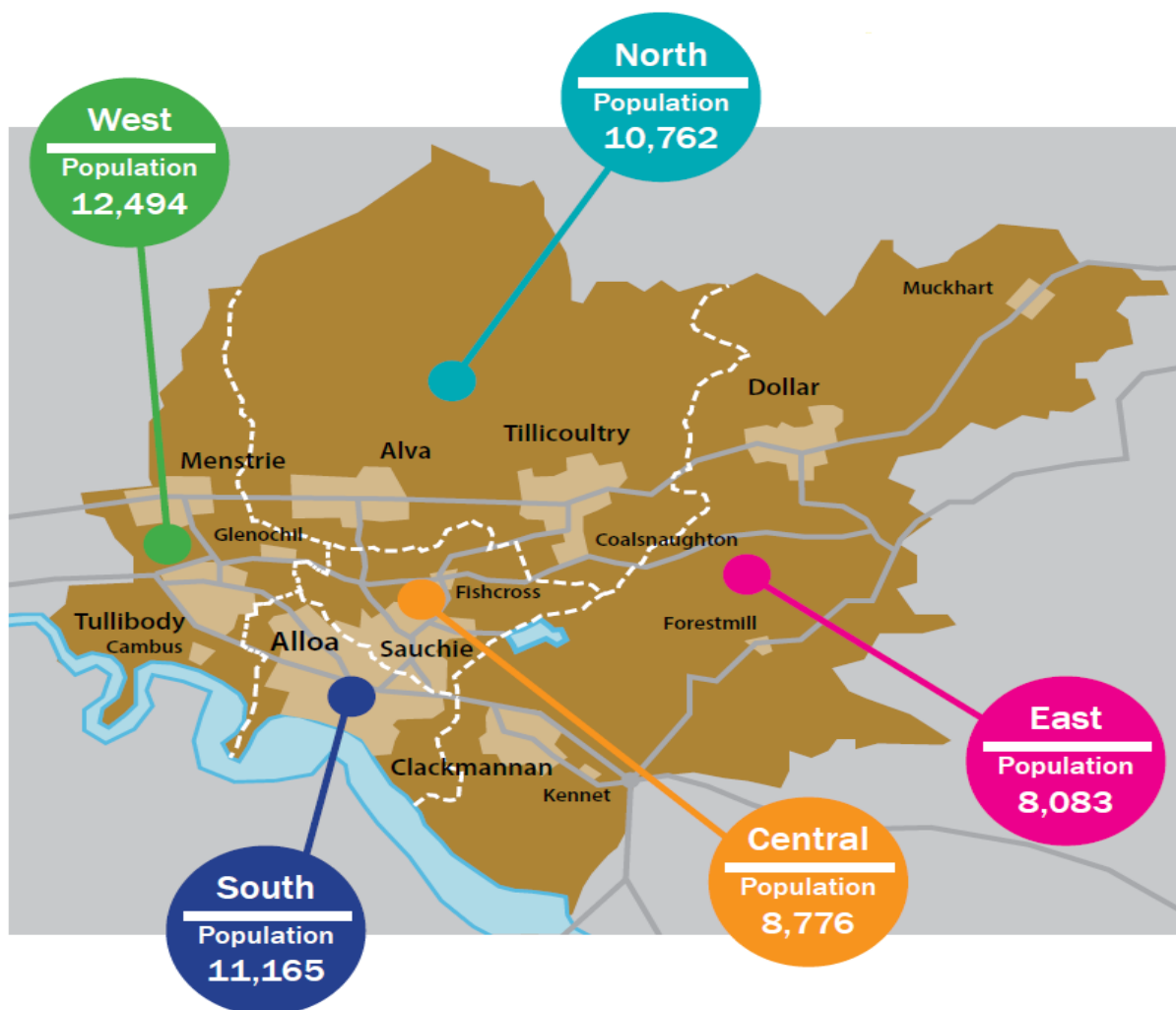


# CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2019/20 Management Commentary

## Introduction

This commentary sets the scene and context for the Financial Statements for Clackmannanshire Council, for the year ended 31 March 2020 and provides specific details in relation to the Council's financial position, its priorities and performance and strategies and plans for achieving these objectives. The commentary is compliant with The Local Authority Accounts (Scotland) Regulations 2014. The Management Commentary is required to present the collective view of those charged with governance and apply relevant sections of the Companies Act 2006 in respect of the preparation of a Strategic Report. The Financial Statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 which sets out the format and content contained within them.

Clackmannanshire is located in Scotland's central belt, sharing administrative borders with Stirling, Perth and Kinross and Fife, and with natural boundaries provided by the Ochils and the River Forth. Clackmannanshire is the smallest mainland Council in Scotland, covering 61 square miles and serving a population of 51,280 (as at 2018). The Council employs 2,639 (headcount) staff (2018/19: 2,793).



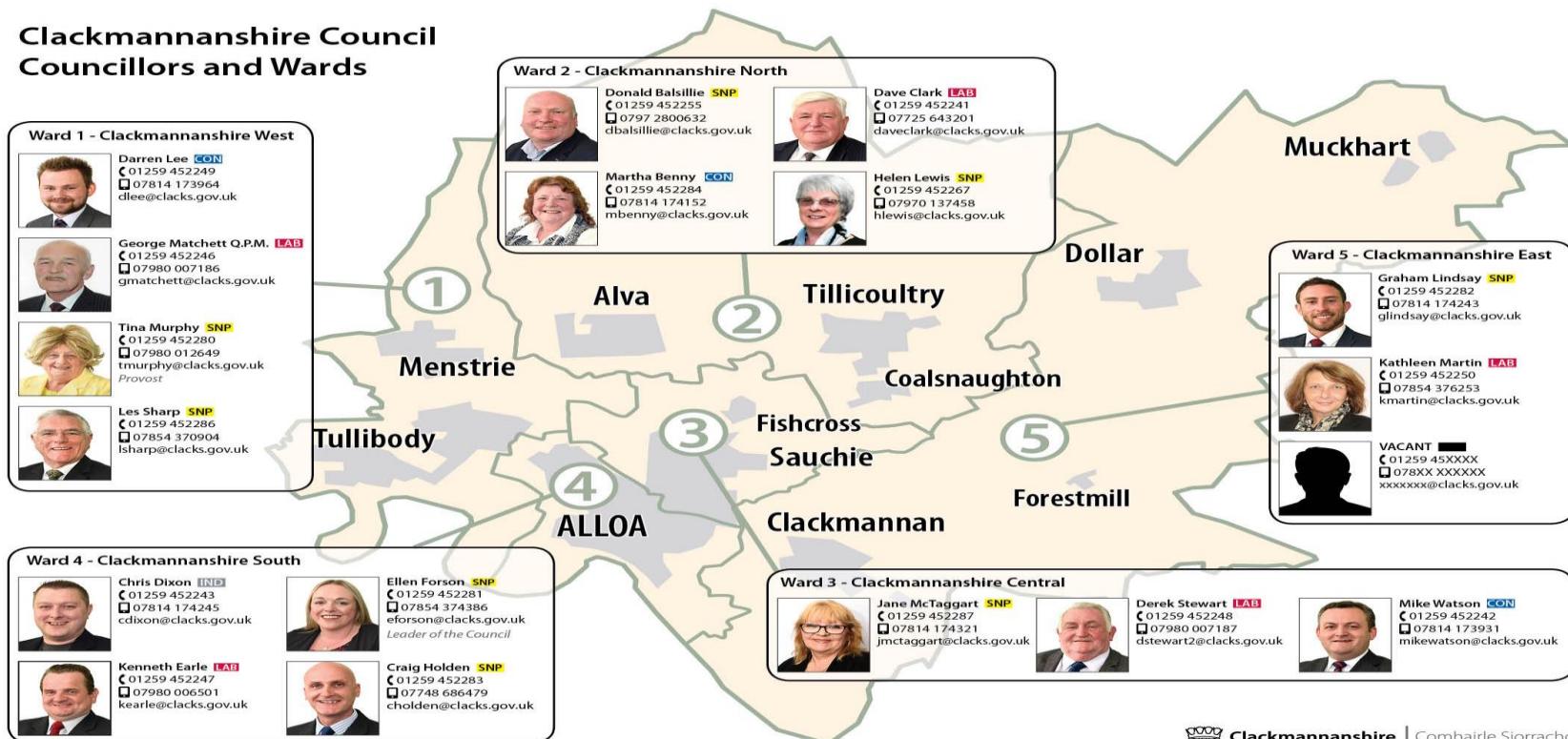


# CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2019/20 Management Commentary

## Local Government

Clackmannanshire Council consists of 5 wards, each represented by 3 or 4 elected members. The Council has 18 Councillors whose political make up at the end of 2019/20: were 5 Labour, 8 SNP, 1 Independent and 3 Conservative. There was one vacant seat within the Clackmannanshire East Ward following the resignation of Councillor Mason during the year. Information on Senior Councillors can be found in the Remuneration Report commencing page 61.

### Clackmannanshire Council Councillors and Wards



For further information, contact: Members' Services, Clackmannanshire Council, Kilncraigs, Alloa, FK10 1EB  
Tel: (01259) 450000 Fax: (01259) 452230 Email: membersservices@clacks.gov.uk

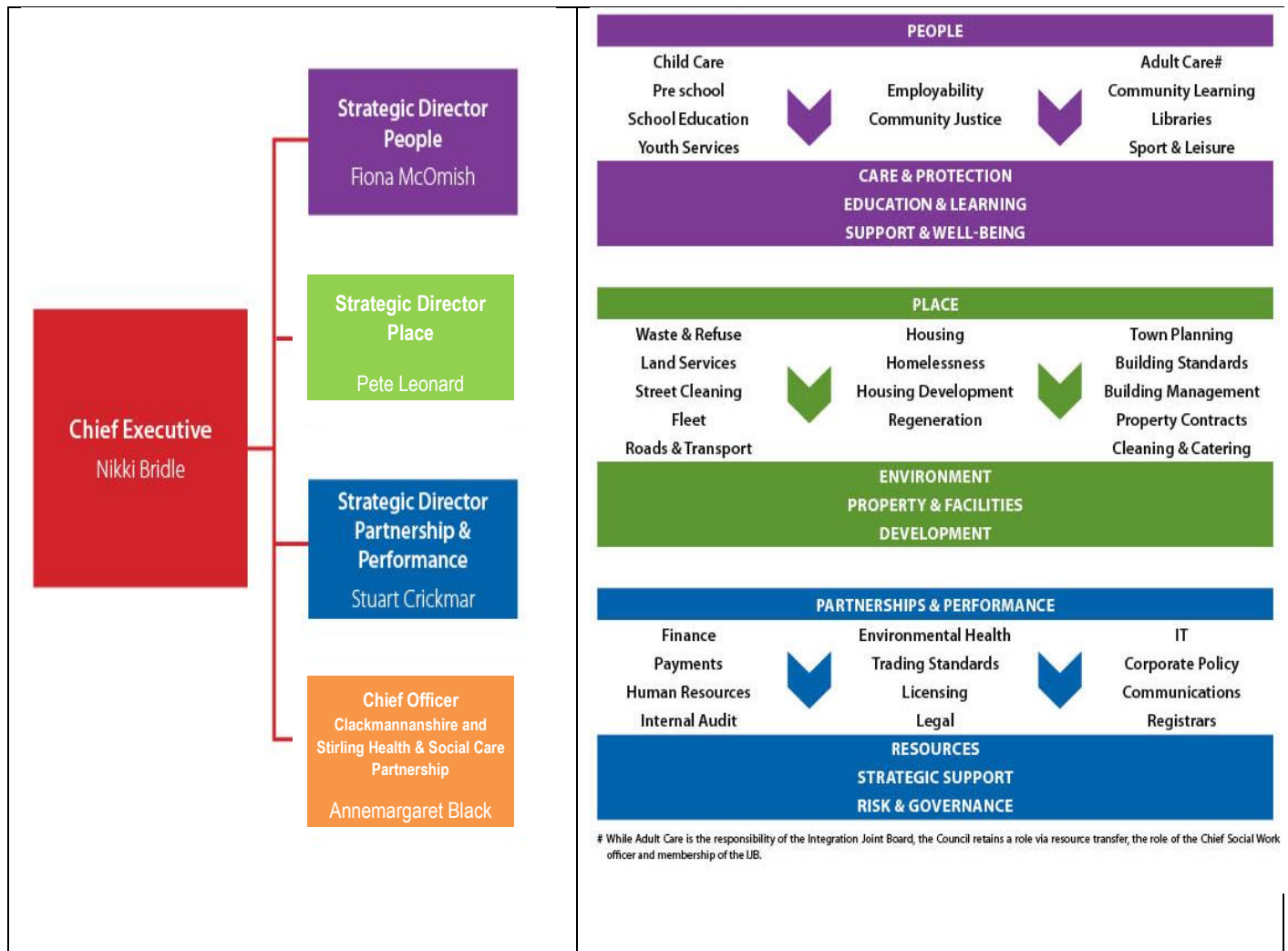
**Clackmannanshire Council**  
www.clacks.gov.uk

Comhairle Siorrachd  
Chlach Mhanann

# CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2019/20 Management Commentary

## Management Structure & Service Areas

The Council's Management Structure and service areas are set out in the diagram below:



The Council continued with its Organisational Redesign programme during 2019/20, concluding the first phase which created a Senior Leadership Team and commencing the second phase which was focussed at Senior Manager Level.

Throughout 2019/20, Clackmannanshire Council's Chief Executive was Nikki Bridle. The Chief Executive is the Head of Paid Service who leads and takes responsibility for the work of the Council and who runs the local authority on a day to day basis. The Chief Executive provides leadership, vision and strategic direction, and effective management of the Council.

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The post holders at Senior Management level are shown below with appointment or leaving dates as appropriate:

**Nikki Bridle**



**Chief Executive**

*(appointed 16 July 2018)*

**Garry Dallas**



**Strategic Director of Place**

*(27 August 2018 until 18 August 2019)*

**Stuart Crickmar**



**Strategic Director of Partnerships & Performance**

*(appointed 27 August 2018)*

**Fiona McOmish**



**Strategic Director of People**

*(appointed 18 February 2019)*

**Pete Leonard**



**Strategic Director of Place**

*(appointed 5 August 2019)*

**CLACKMANNANSHIRE COUNCIL**  
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**Statutory Officers**

The postholders for all statutory posts are shown below:

**Lindsay  
Thomson**



**Monitoring Officer**  
*(appointed 1 November 2018)*

**Anne Pearson**



**Chief Education Officer**  
*(until 30 November 2019)*

**Lindsay Sim**



**Chief Finance Officer (S95 Officer)**  
*(appointed 1 February 2019)*

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**Margaret McIntyre**



**Chief Social Work Officer (Acting)**  
*(from 1 January 2019 until 2 June 2019)*

**Fiona Duncan**



**Chief Social Work Officer**  
*(appointed 3 June 2019)*

**Annemargaret Black**



**Clackmannanshire & Stirling Health & Social Care Partnership Chief Officer**  
*(appointed 17 June 2019)*

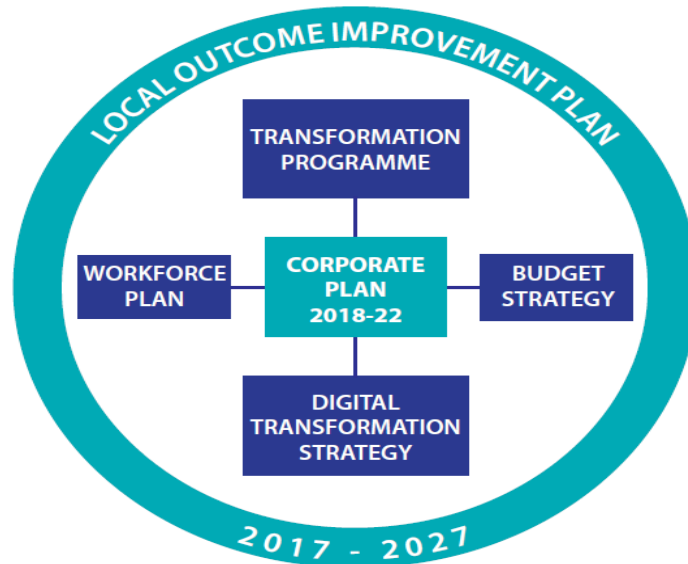
**Lorraine Sanda**



**Chief Education Officer**  
*(appointed 13 January 2020, acting from 02 December 2019 until 12 January 2020)*

## CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2019/20 Management Commentary

The “**Local Outcomes Improvement Plan (LOIP) 2017-2027**” sets out the vision of the Clackmannanshire Alliance for the 10 years to 2027 and builds upon the successes of our previous plan the Single Outcome Agreement for Clackmannanshire 2013-2023. A central theme of this Plan is a joint commitment to tackling the inequalities that exists in Clackmannanshire as a result of poverty and socio-economic disadvantage.



The LOIP has been developed by the Clackmannanshire Alliance and sets out the ambitions for change for Clackmannanshire over the next decade. This plan sets out the commitment to reducing inequality and renewed focus to work together to secure better outcomes for Clackmannanshire. In developing the LOIP, the Alliance chose to focus collective efforts on a core set of priorities based on discussions with partners and communities so that the plan is based on a sound understanding of local need and circumstances. The LOIP is supported by four long term strategic outcomes which will drive the direction of the strategic partnership:

### Strategic Outcomes for Clackmannanshire

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



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

**Locality Priorities for Clackmannanshire**



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

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

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**Performance**

In 2019/20 the Council's gross expenditure was £220m (2018/19 £197m). The variance between the two years is mainly due to the effects of the 5 yearly revaluations of assets. This expenditure was spent on delivering a wide range of services for communities across Clackmannanshire, which is a growing economy where there are many opportunities. The context in which the Council operates is ever-changing and as contexts change, it is important that the Council is able to change with them, to make sure it is doing everything it can to improve people's quality of life and to make Clackmannanshire a better place to live and work.

The Council monitors and measures its performance in a number of ways, including:

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

**The Corporate Plan**

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

The key principles of the corporate plan are set out in the diagram below:



**CLACKMANNANSHIRE COUNCIL**  
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<b>Our Vision</b>	We will be a valued, responsive, creative organisation, through collaboration, inclusive growth and innovation, to improve the quality of life for every person in Clackmannanshire.	
<b>Our Outcomes</b>	<ul style="list-style-type: none"> <li>● Clackmannanshire will be attractive to businesses and people and ensure fair opportunities for all.</li> <li>● Our communities will be resilient and empowered so that they can thrive and flourish.</li> <li>● Our families, children and young people will have the best possible start in life.</li> <li>● Women and girls will be confident and aspirational, and achieve their full potential.</li> </ul>	
<b>Our Priorities</b>	<b>Inclusive Growth, Jobs &amp; Employability</b>	<b>Reducing Child Poverty</b>
	<b>Raising Attainment</b>	<b>Sustainable Health &amp; Social Care</b>
	<b>Empower Families &amp; Communities</b>	<b>Organisational Transformation</b>
<b>Our Values</b>	<b>Be the CUSTOMER</b>	Listen to our customers, communicate honestly and with respect and integrity.
	<b>Be the TEAM</b>	Respect each other and work collectively for the common good.
	<b>Be the LEADER</b>	Make things happen, focusing always on our vision and outcomes, and deliver high standards of people leadership and corporate governance.
	<b>Be the COLLABORATOR</b>	Work collaboratively with our partners and communities to deliver our vision and outcomes.
	<b>Be the INNOVATOR</b>	Look outwardly, be proactive about improvement and strive always for innovation and inclusive growth.
	<b>Be the FUTURE</b>	Work always towards ensuring that we deliver our vision and live our values, so that we become a valued, responsive Council with a reputation for innovation and creativity.

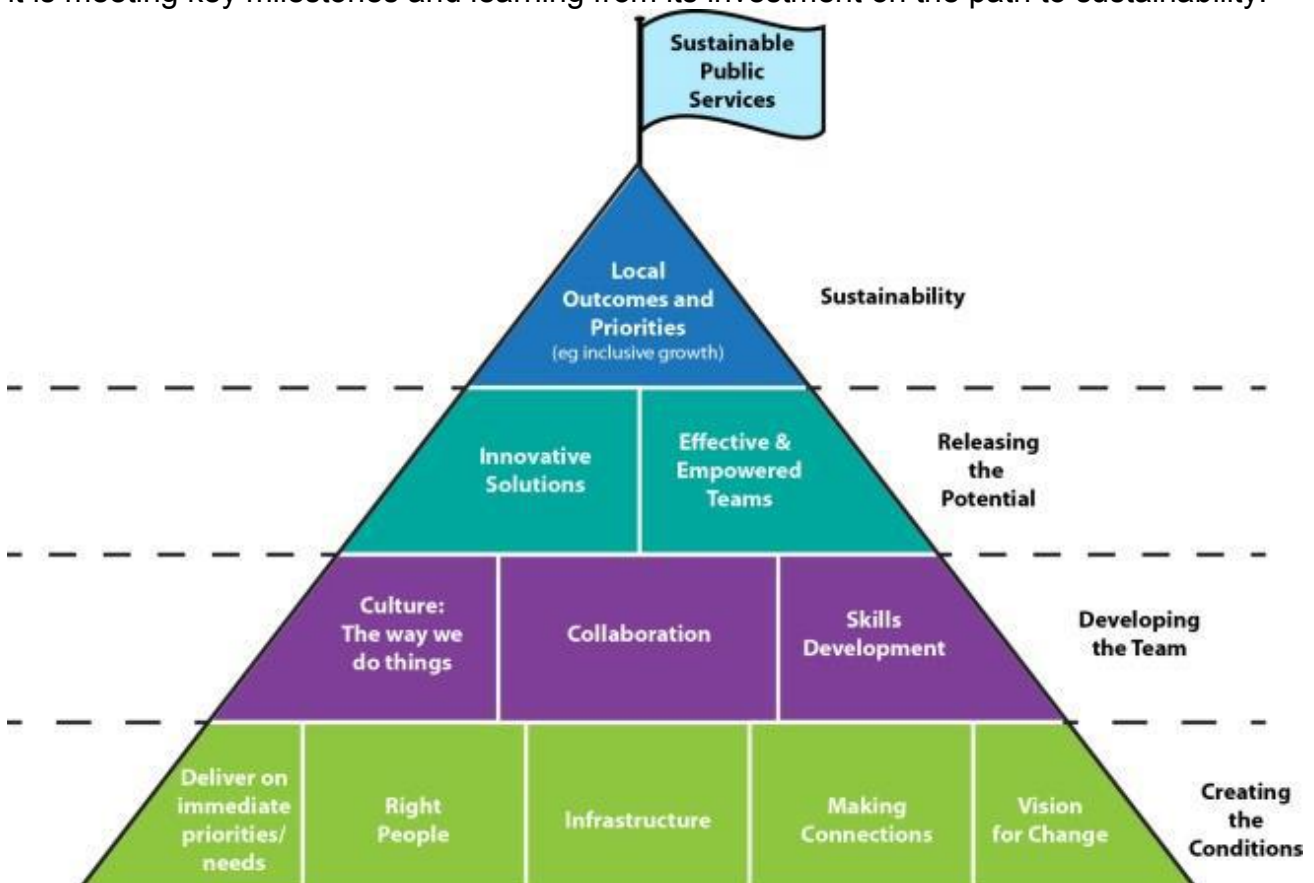
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### Organisational Redesign

The Council is committed to undertaking a major programme of change to ensure a sustainable cost base for the future, sustainability of service delivery and how it achieves the shared priority outcomes that have been set along with our community planning partners as contained in the LOIP. In these challenging circumstances it is vital that the Council continues to plan ahead and take early action to reduce costs and maximise benefits from all available resources whilst retaining a clear corporate focus.

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

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



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

The financial position presented in the Financial Statements provides a platform from which to address the challenging times ahead and support the necessary transition to new, more efficient models of service delivery for the future and to undertake the activities set out in the above diagram.

### **Financial Planning**

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

The Council is continually reviewing its processes and procedures and financial planning continues to adapt to the changing economic climate. Regular medium term financial planning information is reported to Council via Budget Strategy Update reports to ensure that its policy, investment and financial decisions are informed by the wider financial context. The 2020/21 Budget Report approved by Council in February 2020 presented a financial planning scenario which indicated a potential cumulative funding gap of £21.2m by 2023/24. This is clearly a challenging position but one which also provides significant opportunities to look at how services are delivered by the Council and in conjunction with its partners.

As noted above, the Council still faces a significant funding gap of £21m over the next few years, with any unachieved savings adding pressure and increasing the gap in future years. Over the last 4 years the Council has approved £24.9m of savings, however achieving savings year on year is challenging. In 2019/20 the Council achieved £3.9m (81%) of savings from the £4.8m plans put forward in the budget setting process.

During 2019/20, Chief Officers worked closely with the members of each political Administration to develop savings proposals which were included in the 2020/21 budget setting process. The budget preparation process considers both the capital and revenue implications of change proposals for financial planning purposes. The resultant proposals are focused on delivering services that are financially sustainable and manage changing profiles of demand and service user expectations.

The budget process was also supported by a new Change Management Board set up to focus on transformation. The Board is made up of members of the Administration and the two opposition groups along with Senior Officers. Through the year the remit of the Board

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was developed, embedding its role in supporting the development and progress of the transformation programme and reviewing transformation and savings proposals.

Through the 2020/21 Budget Process the Council further approved the 'Be the Future Transformation Programme' which is in line with Council Priorities and the new Be the Future Corporate Plan. Although the financial position is difficult, the management team believe that the new organisational redesign and implementation of the approved Be the Future Transformation Programme, will ensure the Council remains financially sustainable. The Senior Leadership Team are also committed to an enhanced profile and robust implementation of financial governance in the coming year.

### **Health & Social Care**

During 2019/20, there has been ongoing investment in Health and Social Care through the Clackmannanshire and Stirling Integration Joint Board (IJB). In particular, the challenging financial position has been a focus and the IJB has looked at how the Partnership can positively contribute to the delivery of more integrated, customer focused service delivery. The Budget setting process highlighted the need for specific proposals to be developed and presented during 2019/20, building on the work already started to look at new and/ or alternative service delivery models.

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

### **City Region Deal**

The Council is actively delivering ambitious plans in a joint City Region Deal with Stirling Council and Stirling University. Both Westminster and Scottish Governments have been working closely with the city region partners to develop proposals to unlock investment and secure transformational growth in the regional economy. Focus is on key priorities such as socially-inclusive growth; enabling infrastructure (such as roads, social housing and schools); business development opportunities; town centre regeneration; tourism; employability support and renewable energy.

In the case of Clackmannanshire initial priorities were informed by a series of Stakeholder Workshops and refined as part of the joint-working with Stirling Council and both Governments to form a coherent regional bid. Following further stakeholder engagement and approval by both Councils, including formal governance arrangements between the Councils, the 'Heads of Terms' was agreed in June 2018 and full deal sign off was achieved in February 2020.

# CLACKMANNANSHIRE COUNCIL

## ANNUAL ACCOUNTS 2019/20

### Management Commentary

#### Business Performance

##### Key Council Achievements

- progress on organisational redesign – the Council has implemented a new management structure and is progressing the leadership development programme
- City Region Deal – the Council is progressing an ambitious City Region Deal with Stirling Council and Stirling University.
- Best value – work to progress recommendations from the Accounts Commission's Best Value Assurance Progress report on best value published in 2019.
- A new 'Be The Future' transformation programme has been developed and approved to support the Councils transformation objective to redesign service delivery to achieve service and financial sustainability.
- Partnership working has been a focus during 2019/20 in line with the priorities of 'Be the Future' transformation. The Council has developed relationships with several external bodies to support its transformation programme centred around collaboration, inclusive growth and innovation.

##### Response rates to complaints, enquiries and FOIs

It is a priority for the Council to respond to all complaints and enquires within the time limits wherever possible. A Stage 1 Complaint should be responded to within 5 days and Stage 2 within 20 days. The timescale for the response to Councillor and MP/MSP enquiries is determined by the Councillor and MP/MSP submitting the enquiry and can be either 10 working days, 4 working days or 3 working days (urgent). The table below shows the performance for the year:

	Council	
	Number	% on time
Complaints (stage 1+2)	216	72.2%
Complaints stage 1	182	70.3%
Complaints stage 2	34	82.4%
Councillor enquiries	584	85.6%
MP / MSP enquiries	222	89.2%
FOIs	1,174	92%

##### Sickness Absence Rates

Sickness absence rates continue to improve year on year with the percentage of days lost now at 4.47% compared to 4.65% in 2019/20 and average Full Time Equivalent (FTE) days lost per employee reduced to 12.53 days from 13.2 days in 2019/20. The majority of our absences (62.73%) are long term in nature and these are managed in accordance with agreed Council procedures.

An internal audit carried out during 2019/20 concluded that substantial assurance could be given in relation to the adequacy of the Maximising Attendance Policy and the provision of management information to Directorates although improvements in the recording of sickness absence details and supporting documentation by line managers was needed.



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A wellbeing/maximising attendance action plan was developed from the Internal Audit findings and is being implemented.

During the financial year “Maximising Attendance & Wellbeing Policy” awareness sessions continued to be delivered to managers/supervisors. In addition a new e-learning course was launched on the Council’s e-learning platform. Absence continues to be an area of continued scrutiny for the Councils Strategic Leadership Group.

#### **Public Performance Reports**

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

#### **Financial Performance 2019/20**

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom with the objective of presenting a true and fair view of the financial position of the Council and its income and expenditure for the year ended 31 March 2020. A brief explanation of each statement and its purpose is provided at the beginning of each statement. The main statements appear in the accounts followed by a series of additional statements to give the reader a full analysis of the funding received and how this is spent. The Expenditure and Funding Analysis (Note 6) brings together the net expenditure based on the management reporting structure and compares this against the net expenditure that is reported in the Comprehensive Income and Expenditure Statement in line with the Accounting Framework.

Within the General Fund, against the background of reducing resources, in 2019/20 the Council has successfully delivered services within budget, which included utilisation of £2.15m of capital receipts. This position, along with consideration of the reserves utilised during the year, results in an increase in General Fund reserves of £3.3m to £11.9m (2018/19: £8.6m). Of this total, £5.6m (2018/19 £3.8m) is earmarked for specific purposes, leaving £6.2m of uncommitted reserves.

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

#### **Capital and Revenue Expenditure**

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

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The Council invested £20.7m (2018/19 £22.8m) in capital projects during the year, the table below shows some of the main projects:

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'m</b>	<b>£'m</b>
IT Investment	0.35	0.47
School Development	-	4.51
Tullibody South Campus	8.59	4.38
Street lighting	0.20	0.31
Clackmannanshire regeneration	0.10	0.55
Roads, foot paths, cycleways etc.	2.70	2.51
Fleet Vehicles	1.00	1.19
Housing - replacement of kitchen/heating	1.35	1.60
Housing - replacement of roofs/windows	2.09	2.70
Other Projects	6.38	2.49
	<b>22.76</b>	<b>20.71</b>

**General Fund Results for the year**

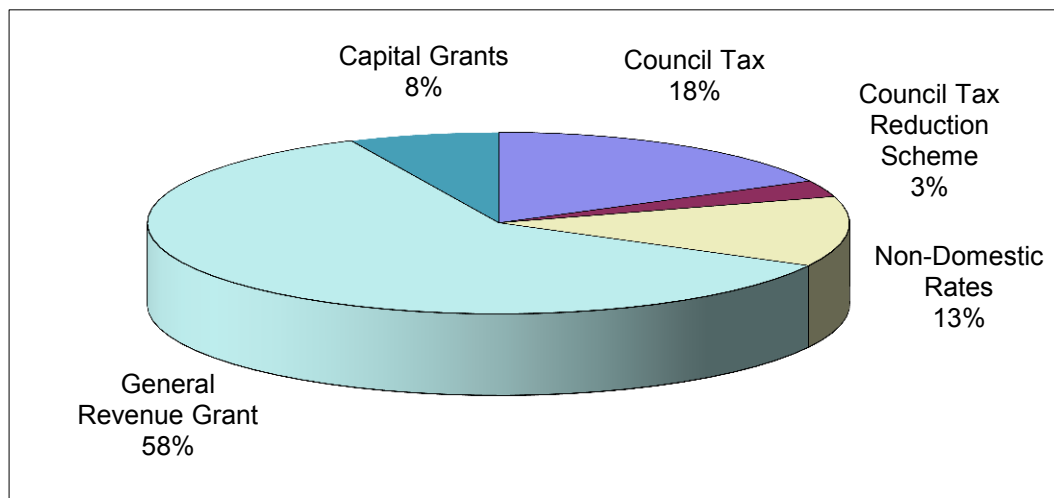
The General Fund covers all the areas of the Council's service provision with the exception of the management of its own housing stock which is covered within the Housing Revenue Account (HRA). General Fund services are financed by government grant and local taxation (i.e. council tax).

The largest source of funding the Council receives is the General Revenue Grant received from Scottish Government including Non-Domestic Rates (NDR) which amounted to £91.8m for 2019/20, (2018/19 £89.2m). NDR income is collected by local authorities, and remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to Councils within the General Revenue Grant. (This is described in more detail in the National Non Domestic Rates Income Account on page 160).

Income from Council Tax in 2019/20 was £22.8m (2018/19 £21.4m). Funding was also received from the Scottish Government for the Council Tax Reduction Scheme for which the Council received income of £3.5m (2018/19 £3.6m). In 2019/20 capital grants totalled £10m (2018/19 £8.5m). The proportions of funding received by the Council in each of these categories are shown in the following chart and table:

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**Proportion and source of funding received in 2019/20**



Sources of Income	2018/19		2019/20	
	£'000	%	£'000	%
Council Tax	21,393	17.4	22,804	17.8
Council Tax Reduction Scheme	3,626	3.0	3,536	2.8
Non-Domestic Rates (plus BRIS)	15,326	12.5	17,315	13.5
General Revenue Grant	73,846	60.2	74,502	58.1
Capital Grants	8,496	6.9	10,026	7.8
	<b>122,687</b>	<b>100</b>	<b>128,183</b>	<b>100</b>

**Council Revenue Expenditure Summary**

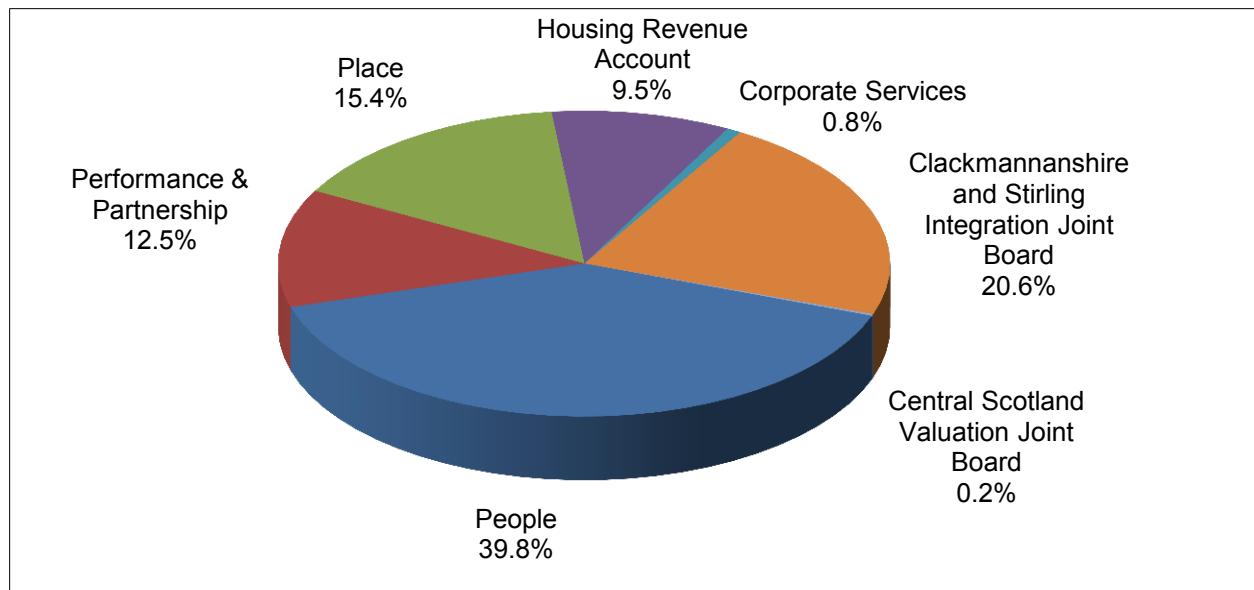
**Proportion of 2019/20 Revenue Expenditure by Service**

In 2019/20 the total operating expenses for service delivery was £220m (2018/19 £197m), as detailed in Comprehensive Income and Expenditure statement on page 76. This level of expenditure indicates the significant size and complexity of the organisation.



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The chart below shows the expenditure apportioned by portfolio, with the People portfolio having the highest level of spend.



### Outturn Position

At the end of the year, the Council reported an underspend of £5.154m on its management accounts, an increase of £4.882m than previously forecasted as at October 2019 reported to Audit Committee in February 2020. Included within the final underspend is a number of earmarked underspends for areas of ring-fenced spend such as Pupil Equity Funding (PEF), Devolved School Management (DSM) and Early Learning and Childcare (ELC) that are not recognised until the year end. These underspends are then carried forward to be used in the following year. After removal of earmarked reserves, this results in a net underspend of £1.338m compared to budget that contributes to reserves.

At the end of 2019/20, the Health and Social Care Partnership overspend was £0.957m before application of any agreed risk share. It was agreed by the three partners to contribute to the overspend on the basis of voting share as has been done in previous years. This equated to an additional contribution of £0.239m (25%) for the Council over the amount budgeted. The final outturn reflects this additional contribution made by the Council towards the Partnership overspend.

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

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<b>Council Summary 2019/20</b>			
	<b>Annual Budget 2019/20 £'000</b>	<b>Actual to March £'000</b>	<b>Variance Budget to Actual £'000</b>
People	71,721	70,417	(1,304)
Place	18,346	16,627	(1,719)
Partnership & Performance	11,254	10,802	(452)
Health & Social Care Partnership	17,085	17,324	239
Corporate Services	9,110	7,047	(2,063)
Central Scotland Valuation Joint Board	395	395	-
	<u>127,911</u>	<u>122,612</u>	<u>(5,299)</u>
Sources of Funding	<u>(123,882)</u>	<u>(123,737)</u>	<u>145</u>
	<u><b>4,029</b></u>	<u><b>(1,125)</b></u>	<u><b>(5,154)</b></u>

The Council Summary presents the expenditure of general fund services which are funded from by government grant and local taxation. The Comprehensive Income and Expenditure Statement on page 76, which also includes the Housing Revenue Account, is prepared in accordance with proper accounting practices and, as such, can lead to differences in presentation of certain items of expenditure.

The table below reconciles the Council Summary to the (Surplus) or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis in Note 6 on page 101.

	<b>Note</b>	<b>£000</b>
<b>Council Summary</b>		<b>-1,125</b>
Add (Surplus) chargeable to HRA balances		-920
Add Financing and Investment Income and Expenditure		-150
Add contribution to Insurance Fund		20
<b>(Surplus)/Deficit chargeable to GF &amp; HRA Balances</b>	<b>Note 6</b>	<b>-2,175</b>
Adjustments between Funding & Accounting basis	Note 6	14,670
<b>(Surplus) or Deficit on Provision of Services</b>	<b>Note 6</b>	<b>12,495</b>

## Council Reserves

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

**CLACKMANNANSHIRE COUNCIL**  
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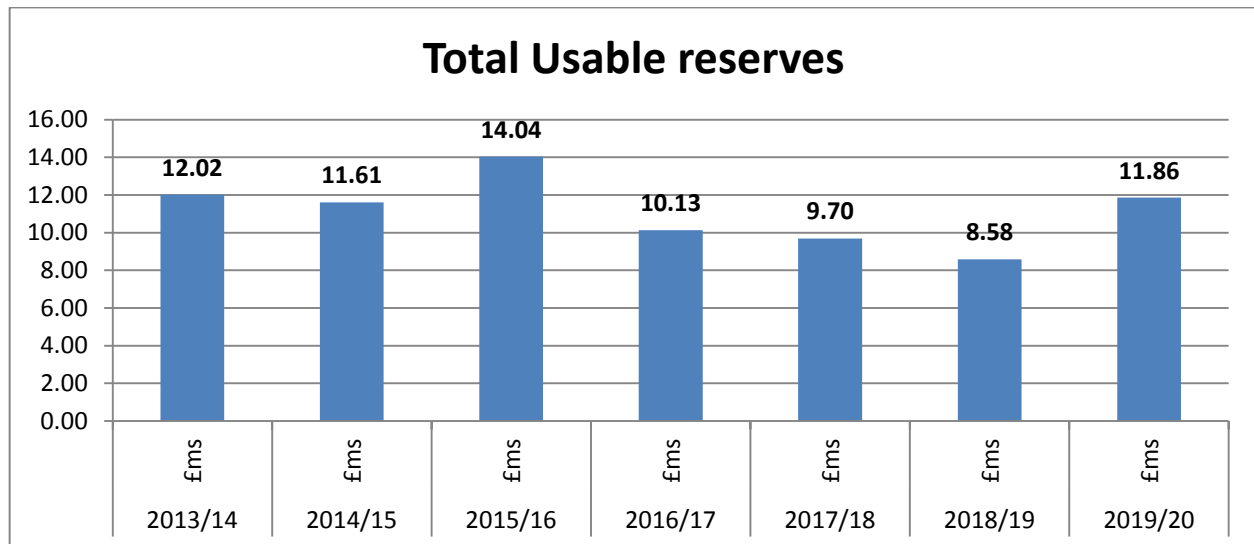
**2019/20 Summary of Council reserves**

	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Insurance Fund £'000</b>	<b>Capital Grants &amp; Receipts Unapplied £'000</b>	<b>Total £'000</b>
<b>As at 1 April 2019</b>	<b>(8,581)</b>	<b>(3,722)</b>	<b>(3,597)</b>	<b>(1,301)</b>	<b>(2,813)</b>	<b>(20,014)</b>
Comprehensive Income & Expenditure	9,521	2,974	-	-	-	12,495
Adjustments between funding & accounting basis	(10,774)	(3,896)	(465)	-	244	(14,891)
Transfers	(2,024)	140	1,988	21	(125)	-
<b>As at 31 March 2020</b>	<b>(11,858)</b>	<b>(4,504)</b>	<b>(2,074)</b>	<b>(1,280)</b>	<b>(2,694)</b>	<b>(22,410)</b>

Total usable reserves have increased to £22m (2018/19 £20m) at 31 March 2020. A comprehensive analysis of the Council's reserves is provided in the Movements in Reserves Statement on page 77 and supporting notes.

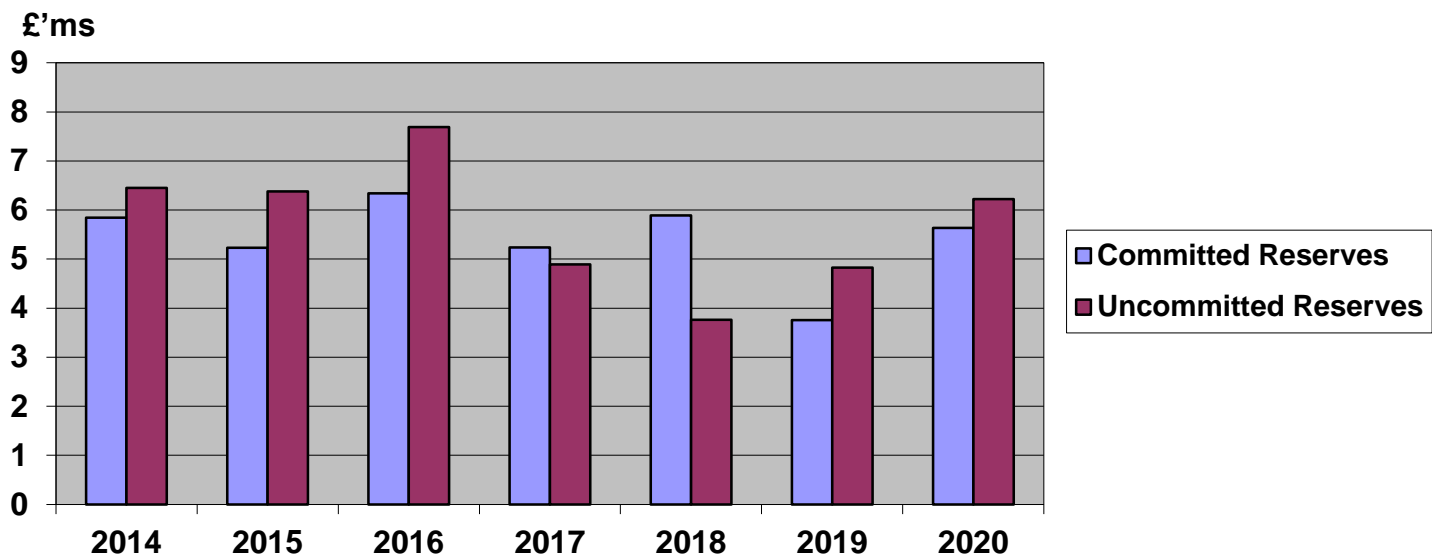
**Total Usable Reserves**

In 2019/20 the General Fund reserve has increased to £11.9m (2018/19: £8.6m). Between March 2014 and March 2020 total usable reserves have fallen by £0.2m or 0.13%.



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**Level of Committed and Uncommitted Reserves 2014/15 to 2019/20**



**Committed (Earmarked) General Reserves**

Of the £11.9m general usable reserves, £5.6m is earmarked for specific purposes, either by individual services or to meet corporate liabilities. The committed balance can be summarised as follows:

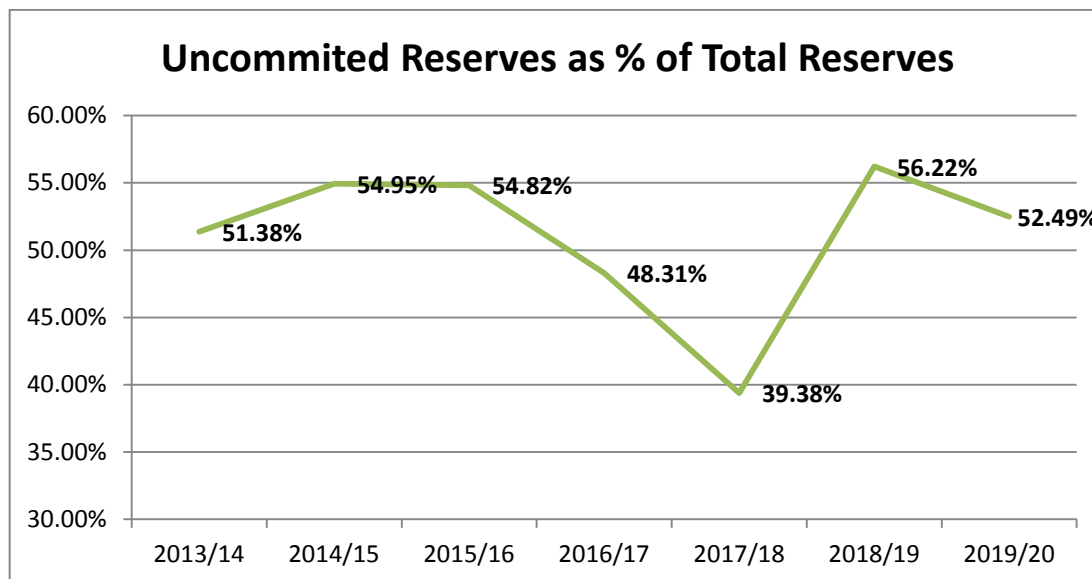
	2018/19	2019/20
	£'m	£'m
Devolved School Management	(0.3)	(0.5)
Organisational Change Fund	(0.3)	(0.2)
Employment Fund	(1.1)	(1.5)
City Deal	(0.1)	-
Pupil Equity Funding (PEF)	(0.7)	(0.6)
Early Learning & Childcare (ELCC)	(0.1)	(0.5)
Ring-fenced Housing Grants	(0.6)	(0.6)
Other Miscellaneous Commitments	(0.6)	(0.7)
Transformation Fund	-	(1.0)
<b>Net Committed Reserves</b>	<b>(3.8)</b>	<b>(5.6)</b>

The uncommitted element of General Fund Reserve at 31 March 2020 which is generally available to support future expenditure, stood at £6.2m (2018/19 £4.8m). The Council's Reserves Strategy stipulates that it should retain uncommitted reserves at a minimum level of 3% of net expenditure. The current reserves represent a level of 4.8% (2018/19 3.8%) of the 2020/21 net budgeted expenditure.

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

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**Trend in reserves position 2013/14-2019/20**



**Key Financial Ratios**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Directors of Finance Section recommends that certain financial ratios are included in the Management Commentary to assist the reader to assess the performance of the Council over the financial year and of the affordability of its ongoing commitments. The following table provides the indicators with an explanation of each, grouped into CIPFA categories for the various areas of financial activity.

Financial Indicator	Notes	2018/19	2019/20
<b>Reserves</b>			
Uncommitted General Fund Reserve proportion of Net Actual Expenditure	1	4.02%	5.07%
Movement in the Uncommitted General Fund Balance	2	26.12%	29.00%
<b>Council Tax</b>			
In-year collection rate	3	95.91%	95.74%
Ratio of Council Tax Income to Overall Level of Funding	4	17.37%	17.79%
<b>In Year Expenditure</b>			
Actual Outturn compared to Budgeted Expenditure	5	97.88%	95.97%
Actual contribution to/(from) Unallocated General Fund Balance compared to Budget		0.5%	1.00%

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Financial Indicator	Notes	2018/19	2019/20
<b>Debt/Long-term Borrowing</b>			
Capital Financing Requirement (CFR) for the current year	6	£144.9m	£144.5m
External Debt Levels for the current year		£137.2m	£140.9m
Ratio of financing costs to net revenue stream		8.32%	5.47%

- 1 Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Policy is 3% of net expenditure which is considered appropriate in the context of the Council's financial and ongoing risk profile.
- 2 Reflects the extent to which the Council is using its Uncommitted General Fund Reserve. The movement is due to in-year underspend and a release of committed reserves following a review of requirements.
- 3 Reflects the Council's effectiveness in collecting Council Tax debt and financial management. This small 0.23% decrease means that the Council has slightly reduced from last years highest in-year collection rate to date. This is a result of the tight financial conditions within the economy.
- 4 Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control.
- 5 How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of budget monitoring as reported throughout the year.
- 6 External debt levels are lower than the CFR. These two indicators complement the assurances of borrowing only being for capital purposes. The ratio of financing costs to net revenue stream provides an indication of the Council's ability to service the borrowing costs.

## Capital Expenditure

The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability, sustainability, the management of assets and the achievement of strategic objectives. Capital spending in 2019/20 on General Fund Services (including operational Common Good properties) was £14.2m (2018/19 £17.6m) and on Housing was £6.5m (2018/19 £5.2m).

Expenditure	£'m	Financed by	£'m
Community Investment Strategy	9.812	Government grant & contributions	10.311
Property Asset Management Strategy	0.157	Capital Receipts	0.016
Roads Asset Management Strategy	2.812	Capital financed from revenue	6.176
Housing Business Plan	6.549	Borrowing	4.206
Lands Assets Management Strategy	0.031		
Fleet Asset Management Strategy	1.185		
IT Asset Management Strategy	0.163		
	<b>20.709</b>		<b>20.709</b>
Capital programme underspend	10.481		
<b>Capital Budget</b>	<b>31.190</b>		

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During 2019/20 the Council invested £20.7m in Capital projects, £20.67m of this expenditure was on Council assets and £0.040m was granted to third parties including Common Good. Capital expenditure in the year has been financed by capital receipts (£0.016m), government grants and contributions (£10.3m) and direct revenue funding (£6.2m) leaving a balance of (£4.2m) which was financed from borrowing.

At the end of the year there was an overall underspend of £10.5m on the budgeted programme. £8.3m of this related to the general fund and was mainly due to rephrasing of spend on large projects spanning multiple financial years such as Kilncraigs BPRA, City Region Deal, digital infrastructure project, and delays in the delivery of purchased vehicles. The underspend on the HRA capital programme is mainly due to roof and render upgrade works, window replacement, and electrical systems works. The unspent budget due to rephrasing will be carried forward to 2020/21.

In recent years the total capital budget has not been fully utilised with underspends ranging from 52% to 70% of the budget. In 2019/20, the underspend has increased to 33.6% (2018/19 30.2%) of the budgeted spending level, however, work continues to refine the capital planning process. Work is ongoing to develop a capital strategy in line with the Councils transformation programme and service asset plans.

#### **Capital Receipts, Grants and Contributions**

Receipts held in the capital receipts reserve at 31 March 2020 total £2.074m. £1.160m of these receipts have been earmarked to support delivery of the Council's 2020/21 budget. £0.431m has also been earmarked for the continuation of the Council's organisational redesign programme to fund the statutory element of voluntary severance.

Receipts of £2.694m were held in the Capital Grants & Receipts Unapplied Reserve at 31 March 2020. Of this balance £0.475m is earmarked for the Be the Future Fund which is expected to be fully utilised during 2020/21.

#### **Housing Revenue Account**

The Housing Revenue Account, which funds the provision of Council housing, incurred a surplus in the year on the management accounts of £7.1m against a budgeted surplus of £4.9m. From this surplus a revenue contribution to capital of £6.2m was made in accordance with the Housing Business Plan to achieve the Scottish Housing Quality Standard and the Enhanced Clackmannanshire Standard. A transfer to the General Fund of £0.14m was made in respect of the transfer of land to the HRA.

This has resulted in an increase of £0.8m to reserves at the year end, as shown in the Movement in Reserves Statement. Working balances available to the Housing Revenue Account have therefore increased to £4.5m as at 31 March 2020. This balance will continue to be earmarked to support the delivery of the Housing Investment Plan in line with

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the Council's approved strategy. The impact of Covid 19 means that 2020/21 capital investment is likely to be lower than planned, meaning less reliance on borrowing in the short term.

A further £6.2m was invested in the housing stock over the year. This builds on previous investment commitments and continues to sustain and consolidate the Council's position in terms of compliance with the Scottish Housing Quality standard and working to achieve the new Energy Efficiency Standard for Social Housing (EESH) by the December 2020 deadline. Using the charter methodology for assessment of SHQS, the Council is currently 97.73% compliant. This compares very favourably with an average reported compliance across Scotland of 89%.

In May 2019, the Council carried out a tenant's satisfaction survey of 900 tenants. This found that over nine in ten tenants (91%) were either very or fairly satisfied with the overall service provided. This included 96% satisfaction of keeping tenants informed and 92% satisfaction with the repairs service.

### **Annual Risk Assessment 2019/20 – Scottish Housing Regulator**

Last year the Scottish Housing Regulator introduced a new Annual Assurance Statement that is required to be completed by all authorities. As approved at the Clackmannanshire Council meeting on 24 October 2019. The Council complies with all relevant regulatory requirements set out in Chapter 3 of the Regulatory Framework. The Council meets all legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety. However, the Council noted that it did not meet the following standard;

- Involve tenants, and where relevant other service users, in the preparation and scrutiny of performance information.

Due to the pressures of Covid 19, it has not been possible to fully address this challenge and an updated position is required by the Council to the Scottish housing regulator, no later than 30th November 2020.

### **Debt**

The Council's gross external debt as at March 2020 which supports its investment and development of long-term assets totals £141m consists of:

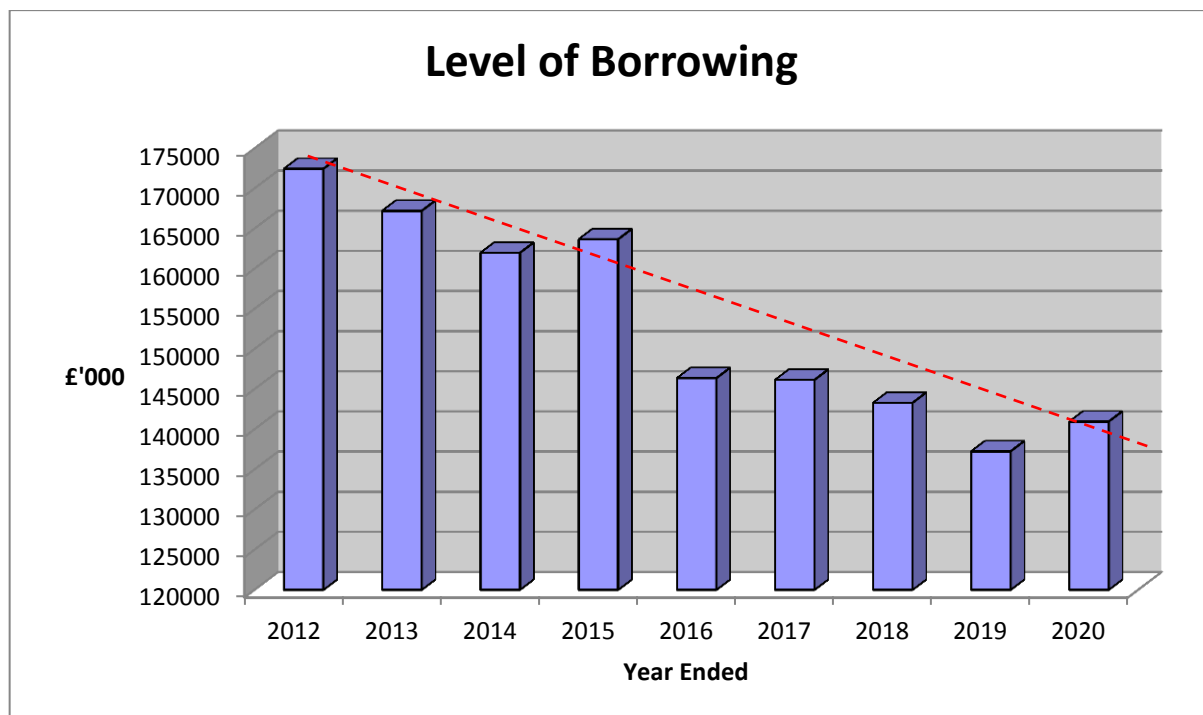
	2019/20 £'m
External Borrowing	101.803
PFI and other finance leases	39.148
	<u>140.951</u>



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This is an increase of £3.7m on the previous years external debt position of £137.2m. This movement is made up of a new loan of £5m, repayments on borrowing of £0.071m and repayments were made to PFI and other Finance leases of £1.226m. The Council continues to work towards reducing overall external debt in line with its policy set out in the Treasury Management Strategy.

In the year, £8.9m (2018/19 £8.8m) external interest and principal repayments of £1.3m were paid in relation to this borrowing.



Overall there has been a reduction in cumulative external debt of 18% between March 2012 and March 2020, showing that over the longer term the Council is not increasing its level of debt to finance its capital programme. Repayments towards PFI and finance leases also contribute to this reduction of the Council's overall level of external debt on an annual basis.

In line with the Prudential Code and Treasury Management Strategy any borrowing undertaken is required to be prudent, affordable and sustainable. As at 31 March 2020 the Council was in an under-borrowed position which meant that its level of borrowing was less than its capital expenditure. Further detailed information including performance indicators can be found in the Council's Annual Treasury Management Strategy Statement 2019/20 set by Council on 6 March 2019 and the Annual Treasury Report 2019/20 presented to Council on 10 September 2020.

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## **ANNUAL ACCOUNTS 2019/20**

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#### **Secondary Schools PFI Scheme**

Following the introduction of revised Financial Reporting arrangements introduced in 2009/10 for PFI projects, the Council's three new secondary schools are recorded within the long-term assets of the Council, along with a liability for the financing provided by the PFI operator. The outstanding finance liability at March 2020 is £39.1m and this sum is included within the Council's overall borrowing position referred to above.

The unitary charge paid to the operator in 2019/20 was £8.3m (2018/19: £8.1m) and will increase annually by inflation over the 30 year term of the contract. The Scottish Government provided additional funding towards the project of £3.6m per annum.

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

#### **Net Pension Liability**

Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at 31 March 2020 disclosed a deficit of £97.9m (2018/19 deficit £121.0m). 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 next long-term triennial funding valuation of the Fund for the purpose of setting employers' actual contributions is underway. The contribution rate will be reviewed and set as part of this process in line with actuarial advice.

#### **Provisions**

Provisions are made where an event has taken place which creates a legal or constructive obligation that more likely than not requires some form of transfer of economic benefits or service and a reliable estimate can be made about the amount of the obligation. As at 31 March 2020, one provision is included in the Financial Statements, see Note 21.

#### **Contingent Liabilities and Assets**

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. They arise where the Council has a possible obligation but this will only be confirmed or otherwise by uncertain future events not entirely within the control of the Council. They can also arise where a provision might otherwise have been made but it is not probable that resources will transfer, or if the obligation cannot be measured reliably. In 2019/20, three contingent liabilities are disclosed, see Note 37. The Council has no material contingent assets at the Balance Sheet date.

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**COVID 19**

The recent Covid 19 pandemic has had a significant impact on the Council and its communities towards the end of 2019/20 and through the course of 2020/21. Since March 2020, the Council has put actions in place and reprioritised services to safeguard the community. Over the past months, focus has been directed on recovery actions including supporting children back to school and with home learning and supporting local businesses.

Some of the specific areas affected and actions taken by the Council since the start of the pandemic are outlined below.

During the pandemic, there has been increased community engagement and partnership working to support those who are most vulnerable. Additional supports to the community have been put in place including support to those who are shielding and self isolation grants to those facing hardship whilst having to self isolate and payments to families for free school meals whilst schools have been closed. The Council has also administered Scottish Government initiatives in the way of financial support to businesses through Business Grants and applied reliefs to businesses in the Retail Hospitality and Leisure industry for non domestic rates.

The Council has had to make changes in how its workforce operates. All staff are now working from home where possible and this has involved the roll out of IT kit to enable Homeworking. Staff have had to adapt to a new virtual way of working and keeping in touch. Meetings are now held virtually through Microsoft Teams including Council and Committee meetings. Changes have also been made to workplaces to enable staff to work safely and maintain a 2 metres distance.

Various changes in service provision have been made including standing down non-essential services and bringing these back on line in a phased way when able to do so. Risk assessments have been carried out to ensure safe working practices for staff and service users, particularly in face to face services such as Social Care and staff have been redeployed onto priority tasks to help support essential services.. Cleaning services have been increased within Schools and Council operated buildings. We have also had to adapt and change the way services are provided. This has been significant within the Education Service where digital devices have been rolled out to the most vulnerable pupils to allow home learning. Teaching staff have also had to adapt to this new way of working supporting online classrooms.

Covid 19 has had a significant impact on financial performance with additional costs incurred during the year as well as loss of income. Due to prioritising essential services and effects of lockdown, there is slippage in the capital programme across both the General Fund and the Housing Revenue Account. Various funding streams have been provided through the Scottish Government to ease pressure on the revenue account which has brought with it additional monitoring and reporting tasks. Prioritising essential services and the additional workload has meant business as usual tasks have been delayed including production of the draft and approval of these final audited accounts.

## **CLACKMANNANSHIRE COUNCIL**

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#### **Management Commentary**

Despite these challenges the Council has still managed to continue with most business as usual tasks during the year and progress with its Transformation activity which is integral to long term financial and service sustainability. It is expected that the pandemic will have an impact on performance going forward as recovery action will be in place for sometime and financial pressures are expected to extend beyond 2020/21.

#### **Business Environment and Risks**

There are 2 key economic variables affecting the Council during 2019/20 and going forward into 2020/21. The first is the continuing impact of Brexit on the UK economy as the UK looks to conclude a trade deal with the EU. The second, being the recent Covid 19 pandemic and its effect on the wider economy and interest rates and the direct impact on Council expenditure and funding.

On the 7<sup>th</sup> May the Bank of England (BoE) released its latest quarterly report on inflation. Interest rates had remained steady through 2019/20 at 0.75% but emergency measures were taken to reduce rates to 0.25% and then further to 0.1% in March 2020. At its latest meeting on 6<sup>th</sup> May, the Monetary Policy Committee (MPC) maintained rates at 0.1% with no likelihood that rates will start to rise within the next 18 months. The target for inflation remains at 2%, and further quantitative easing measures may be necessary over the coming months.

There are varying forecasts for UK growth for the remainder of 2020 and beyond. The latest forecasts from HM Treasury (May) indicate the following impact on Gross Domestic Product (GDP), Consumer Price Index (CPI) and the unemployment rate:

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>GDP %</b>	-8.3	5.8	2.7	2.1	1.8
<b>CPI %</b>	1.0	1.4	1.7	1.8	1.8
<b>Unemployment Rate</b>	7.0	6.8	6.1	5.5	5.0

Source: H.M. Treasury, 'Forecasts for the UK economy, May 2020'

For Scotland, the drop in Gross Domestic Product (GDP) is forecasted to be slightly lower at 6.8% according to the KPMG 'Economic Outlook Report' June 2020. Rising by 3.4% in 2021, to -3.4% over the 2 years. Various factors will influence this including the outcome of Brexit and for Covid 19, the ability to produce an effective vaccine and whether a second, or further waves occur.

As well as the potential impact on the prices of procured and commissioned goods and services, further increases in inflation also have implications for future wages. After a period

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of low wage increases for a number of years, particularly in the public sector, pay negotiations have resulted in the public sector pay restraint being lifted, with a 3 year deal agreed for 2018/19 to 2020/21. This has put additional pressure on pay budgets over the course of this three year period and assumptions are that further increases are likely going forward.

As in recent years and even more so as a result of Covid 19, this operating environment presents the key challenge of developing and sustaining medium to longer term financial planning. A key area of uncertainty for the Council remains the future levels of grant from the Scottish Government it will receive on which it relies for a significant proportion of its funding.

The Scottish Government is continuing to review supports in place and allocate appropriate funding to Local Authorities, Health Boards and the wider economy to support recovery due to the Covid 19 pandemic. In July 2020 the UK Government announced a further fiscal package that focussed on specific areas to support recovery of the economy. Many of the packages will directly apply to Scotland along with the rest of the UK however, Scotland will also receive funding through Barnett consequential for devolved matters. The Chancellor has indicated that there will be an Autumn budget and spending review and a Scottish budget is expected before the end of the year.

The next Scottish Budget is expected to be a 3 year settlement which should help to inform medium term financial planning and get a clearer sense of the Scottish Government's spending priorities. This is dependent on the UK Governments ability to publish a 3 year settlement and may need to be updated for any Covid 19 and post Brexit impacts. As previously highlighted, it is also anticipated that the greatest pressure over the current Spending Review Period will continue to fall on day to day revenue expenditure.

Given this operating context, the preparation of medium to long term financial plans are subject to a number of key risks and uncertainties which will have an impact on budget assumptions. With funding at best, static and the prospect of cash reductions in the next few years for mainstream services, managing the effects of inflation will be a challenge for the public sector. It is expected that Covid 19 will also have a significant impact on funding available to Local Government for 2021/22. Future costs to support recovery and uncertainty over additional funding for this will also place additional pressure on the Council to transform services and reduce its operating costs further to maintain a balanced budget in future years.

Audit Scotland continues to promote the importance of medium to long term financial planning. In Clackmannanshire, the Council has sought to promote medium to longer term financial planning over a number of Budget rounds, the key features of the approach being:

- The use of financial scenario planning to provide a range of potential financial outcomes relative to changes in the key financial assumptions made; and
- The Budget setting process provides indicative budgets for future years and identifies specific Business cases and / or new areas for review to be developed. This provides a multi year view of the programme of activity and how it relates to Budget setting and

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indicative funding gap forecasts in individual financial years.

The Council has to manage the financial and service delivery risks associated with the impact of real and potential cash term reductions in public sector funding, balanced against increasing demand for services and new responsibilities.

**Principal Risks and Uncertainties**

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

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

**Where to find more Information**

An explanation of the Financial Statements which follow and their purpose are shown at the top of each page. Further information about Clackmannanshire Council can be obtained from the Council's website ([www.clacks.gov.uk](http://www.clacks.gov.uk)) or from Finance Services, Kilncraigs, Greenside Street, Alloa, FK10 1EB.

**Conclusion and Acknowledgements**

The continued prudent financial management and medium term financial planning have allowed the Council to successfully manage its financial affairs and the financial objectives prescribed. The Council progressed major strategic initiatives such as the new Tullibody Campus, City Region Deal, Organisational Redesign, the Road Assets Management Plan and the continuing embedding of the Health and Social Care Partnership.

The Council would like to acknowledge the significant effort in producing the Annual Accounts and the Annual Governance Statement and to record thanks to colleagues for their continued hard work and support. The Council greatly appreciate the significant efforts of all who were involved, elected members of the Council and colleagues in every Service, all of whose efforts in managing the resources available have contributed to the financial position disclosed by the 2019/20 Financial Statements.

**Ellen Forson**  
**Leader of the Council**  
**4 February 2021**

**Lindsay Sim**  
**Chief Finance Officer**  
**4 February 2021**

**Nikki Bridle**  
**Chief Executive**  
**4 February 2021**

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***Statement of Responsibilities***

**The Council's Responsibilities**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government Scotland) Act 1973). In this Council, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguards its assets;
- ensure the annual accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the annual accounts for signature.

I confirm that the annual accounts were approved for signature by Council at its meeting on 4 February 2021.

Signed on behalf of Clackmannanshire Council

**Ellen Forson**  
**Leader of the Council**  
**4 February 2021**



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***Statement of Responsibilities***

**The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code').

In preparing the Annual Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

I certify that the Financial Statements give a true and fair view of the financial position of the Council and its group at the accounting date and the transactions of the Council and its group for the year ended 31 March 2020.

**Lindsay Sim**  
**Chief Finance Officer**  
**4 February 2021**



# **CLACKMANNANSHIRE COUNCIL**

## **ANNUAL ACCOUNTS 2019/20**

### **Annual Governance Statement**

#### **Introduction**

The purpose of the Annual Governance Statement (AGS) is to provide assurance to the people of Clackmannanshire, Elected Members, staff, partner agencies and other stakeholders that the Council:

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

The AGS explains the extent to which the Council has complied with its Local Code of Governance during the past year, the progress it has made on improvements identified in the previous year's AGS, and actions it plans to take to ensure that it continues to improve.

#### **Local Code of Governance**

Every Council is required to put in place and maintain a Local Code of Governance. This describes how the Council is directed, controlled, led and held to account, including the culture and values that shape the decision-making and behaviour of councillors and employees. Councils are guided in this by the "Delivering Good Governance in Local Government Framework" (CIPFA, 2016). The framework sets out 7 principles, with supporting sub-principles and illustrations of good practice, that together constitute good governance.

Clackmannanshire Council's Local Code of Governance was reviewed during 2018 and a revised code was approved by Council in February 2019. The Local Code elements, and how they relate to the CIPFA good governance principles, is shown overleaf. The Local Code is underpinned by a framework of systems and processes, based on legislative and regulatory requirements, guidance and good practice principles that guide our day to day activities.

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**Local Code of Governance, linked to CIPFA good governance principles**

		A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	B. Ensuring openness and comprehensive stakeholder engagement	C. Defining outcomes in terms of sustainable economic, social and environmental benefits	D. Determining the interventions necessary to optimise the achievement of the intended outcomes	E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	F. Managing risks and performance through robust internal control and strong public financial management	G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Leadership, values and culture	Scheme of Delegation	✓			✓	✓	✓	
	Council Standing Orders	✓			✓	✓	✓	
Strategy and performance management	Council Corporate Plan			✓	✓		✓	
	Performance Management Framework				✓		✓	✓
	Corporate Risk Management Guidance	✓	✓		✓	✓		

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

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		A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	B. Ensuring openness and comprehensive stakeholder engagement	C. Defining outcomes in terms of sustainable economic, social and environmental benefits	D. Determining the interventions necessary to optimise the achievement of the intended outcomes	E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	F. Managing risks and performance through robust internal control and strong public financial management	G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Information and knowledge management	Information Strategy	✓				✓		
People management	Strategic Workforce Plan	✓				✓		

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**Leadership, values and culture**

This section of our Local Code covers the arrangements we have for ensuring that the Council's leadership – senior managers and elected members – set and communicate a clear direction, are transparent and accountable, and act as role models for the Council's values and ethics.

Local Code approaches in this area are:

- Scheme of Delegation
- Council Standing Orders

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

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

Meeting agendas and minutes are available on the Council website.

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

**Improvements this year**

Draft amendments to the Scheme of Delegation have been made, although not yet finalised.

In addition, a three year programme for Council and committee dates was agreed, which supports the planning process.

Prior to March 2020, Standing Orders were substantially improved to support decision making and to make arrangements for the consideration of exempt papers more explicit and transparent.

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**Areas for future improvement**

The Scheme of Delegation will be developed further, to tie in with the management restructure, which is ongoing.

Standing Orders will be further refined to improve clarity and training will be provided for elected members.

**Strategy and performance management**

This covers how we make sure that strategies, policies and supporting processes reflect the Council's responsibilities and ambitions, and that they are communicated, implemented and followed through.

Local Code approaches in this area are:

- Council Corporate Plan
- Performance Management Framework
- Corporate Risk Management Guidance

The Council's **corporate plan** Be the Future describes its vision, values and strategic direction for the period to 2022, providing a guiding influence for Council decision making, resourcing and actions.

The plan is aligned with Clackmannanshire's Local Outcomes Improvement Plan (LOIP), demonstrating the Council's commitment to shared outcomes agreed by the Clackmannanshire Alliance.

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

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## Aims and Programme Themes

Aims	<b>We will transform our organisation and approaches</b>
<p><b>to:</b></p> <ul style="list-style-type: none"> <li>● empower people and places to improve their wellbeing, skills and prosperity;</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>● ensure that environmental, social and financial needs of our people and places are met and that future generations thrive.</li> </ul>	
<b>Sustainable Inclusive Growth</b>	We will take steps to tackle poverty and inequality. We aim to maximise the opportunities for local people and businesses through our improved economic performance. We will also establish standards, delivery models and strategies which allow Clackmannanshire to play a leading role in meeting the climate challenge and protecting our built and natural environment.
<b>Empowering Families &amp; Communities</b>	We will place people at the heart of service delivery. We aim to prioritise service users, family and community participation and leadership in developing and delivering solutions. We will work in partnership to build individual, family and community skills in support of social and financial independence.
<b>Health &amp; Wellbeing</b>	We aim to improve the environment, quality of life and ease of access to services. Enhanced wellbeing will also provide greater participation opportunities as a consequence of improving economic performance in Clackmannanshire. Delivering increased wellbeing also aims to promote equitable growth.

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Corporate **Risk Management Guidance** explains the principles, processes and scrutiny arrangements used by the Council for managing risk.

Senior management identify the key risks to the Council achieving the outcomes set out in the Council Plan. These are assessed together with the controls we have in place to manage the risks, and mitigating actions are agreed to bring the risks within a tolerable range. A similar process is carried out within services. Risk registers are regularly reviewed and challenged by senior management and Members.

**Key Corporate Risks 2019/20**

- |  |  |
|--|--|
| • Insufficient Financial Resilience                            | • IT System Failure                                  |
| • Harm to Child(ren)   | • Major Governance Failure                           |
| • Insufficient Pace and Scale of Organisational Transformation | • Information Not Managed Effectively                |
| • Increasing Attainment Gap                                    | • Failure of Public Utility Supply                   |
| • Impact of Poverty, Inequality & Changing Demographics        | • Public Health Emergency                            |
| • Failure to Address Serious Organised Crime                   | • Council & Community Impact of Welfare Reform       |
| • Unknown Terms of EU Withdrawal                               | • Failure to Prepare for Severe Weather Events       |
| • Inadequate Workforce Planning                                | • Failure to Prevent Extremism and/or Radicalisation |
| • Health & Safety Breach                                       | • Industrial Unrest                                  |

**Improvements this year**

In February 2020 the Council agreed a 10 year transformation programme for Clackmannanshire. The Be The Future Programme distils the Local Outcomes Improvement Plan (LOIP) outcomes and Corporate Plan priorities into three programmes of activity:

- Sustainable Inclusive Growth;
- Empowering Families and Communities, and
- Health and Well-being.



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Significant work has been undertaken to raise awareness of Be the Future and to promote the Council's Values throughout the organisation in order to ensure that they permeate all aspects of our activities.

Progress has been made to make the Council's key strategies, policies and performance reports more easily and publicly accessible, via the Council website (see <https://www.clacks.gov.uk/council/priorities/> and linked pages).

Work has also progressed to update the Councils Risk Management Framework, although current corporate risk processes are well established. The Councils Risk and Integrity process, which enables Council Senior Leadership Team to be kept up to date on corporate risk areas, was revised during 2019/20, and senior managers benefited from accredited Risk Management training.

#### **Areas for future improvement**

Although a great deal of progress has been made during 2019/20, Covid 19 has impacted in some areas, causing slippage. Business Plans for 2020/21, and the updated Risk Management Framework require to be finalised. There is also some planned activity scheduled to ensure that there is alignment between Be the Future and Covid Recovery plans.

New Mainstreaming Equalities and Diversity Outcomes for Clackmannanshire will be developed, for publication April 2021.

Action will be taken to ensure that new Hate Crime legislation is reflected in key Council policies.

#### **Working in Partnership**

This theme covers how we work with partners to achieve mutual benefit, by sharing expertise, resources and knowledge. The Clackmannanshire Alliance, our Community Planning Partnership, brings together the key organisations that can make a difference to people's lives in Clackmannanshire.

Local Code approaches in this area are:

- Alliance Governance Framework & Memorandum of Understanding

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Key underpinning policies and guidance in this area are:

- Local Outcomes Improvement Plan (LOIP) 2017-2027
- Community Planning processes

#### **Improvements this year**

Community Planning structures and governance arrangements, including the Memorandum of Understanding, and membership of, the Clackmannanshire Alliance, were revised and agreed in early 2019. Improvements were made to ensure transparency of Alliance business and information is published on the Councils website, and the webpages of core partners.

More information can be found here: <https://www.clacks.gov.uk/community/planning/>

#### **Areas for future improvement**

Alliance partners have agreed to review the LOIP priorities and actions this year (2020/21) in line with expectations set out in the LOIP agreed in 2017. This is expected to reflect on collective Covid Recovery plans.

Partners have also agreed to strengthen arrangements to hold partnerships accountable for delivery of LOIP priorities and actions through regular performance reporting. This will follow the review of priorities.

#### **Communication and engagement**

The Corporate Communications & Marketing Strategy aims to ensure that:

- both internal and external communications and marketing approaches are effective and responsive to the needs of all groups, and
- digital communications develop in line with advancing technology and customer needs.

We use the online survey tool Citizen Space to consult on issues such as service satisfaction, policy proposals and strategies. During 2019/20, 38 surveys were done using this method, including the annual Budget survey, which received almost 630 responses.

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**Improvements this year**

A number of improvements have been made under this approach within the year. The Communications (and engagement) strategy was reviewed early in the year following approval of Be the Future, aligning communication approaches with the Council's vision, values and strategic priorities.

Social Media approaches have continued to grow steadily and web accessibility has also progressed over the past 12 months, with customers now able to book, pay for and report more services online.

Communication approaches were significantly tested at the end of 2019/20 during early responses to the Covid 19 pandemic. This required adapting some approaches to ensure they were fit for purpose.

**Areas for future improvement**

The Communication and Engagement Strategy (delayed by operational response to Covid 19 pandemic) requires to be consulted on and then agreed.

A number of related guidance documents then need to be updated, including the Customer Charter, as well as other related policies and guides.

**Sustainable asset management**

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

There is also a number of asset management plans covering, for instance, buildings, vehicles and ICT equipment. These generally aim to ensure that all assets are:

- fit for purpose;
- used efficiently, maximising value for money;
- environmentally and energy efficient and contribute to delivering reductions in greenhouse gas emissions, and
- employed flexibly and responsibly

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**Improvements this year**

A review of the Sustainability and Climate Change Strategy was commenced and a paper was prepared for committee seeking members' views on the proposed process for preparing the strategy including the setting up of a Carbon Management Group, but this has since been delayed due to the impact of Covid 19.

**Areas for future improvement**

The review of the Sustainability and Climate Change Strategy will be completed, forming part of the Be the Future Transformation Plan. Following approval, work can begin on engagement with key stakeholders, which is the first key part of the process.

**Financial management**

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

**Improvements this year**

Revised Financial Regulations were approved by Audit Committee in June 2019.

Work was undertaken to the Councils Financial Management System; Technology One to upgrade it to the ClAnywhere platform. This upgrade provides additional functionality that allows access to the system on any smart mobile device and also improves the Purchase Order modules within the system. The upgrade also enhanced the front end look of the system making it more intuitive and user friendly.

In addition to the upgrade a further functionality was added to the system called 'Dragitin' which allows the Council to offer e-invoicing to suppliers. This function allows the Council to comply with new regulations within Public Contracts (Scotland) Regulations 2015, effective from 1 April 2020.

**Areas for future improvement**

During 20/21 we will be reviewing the Capital Plan to reflect revised strategic priorities and to align with the Be the Future programme, the Learning Estate, City Region Deal and Asset strategies.

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Financial Governance will also be a strong focus in light of new staff having recently joined the Council and changes in the roles of existing staff, coupled with the challenges of maintaining financial sustainability in the current climate. Guidance and training will be rolled out throughout the year.

### **Information and knowledge management**

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

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

### **Improvements this year**

The Council's Digital Strategy was approved by Council in 2019, while in early 2020 the Council undertook work, supported by Digital Office Scotland, to assess its digital maturity.

Also in early 2020 the Council was audited on its Digital Progress by Audit Scotland, with that report due in January 2021 (delayed from Summer 2020 due to the Covid 19 pandemic).

The Council's Record Management Plan received approval from the Keeper of the Records of Scotland.

### **Areas for future improvement**

The revision of the Council's Information and Communication Technology (ICT) Strategy and ICT Asset Management Plans will be a strong area of focus in 2020/21.

The development of a Digital Transformation Delivery Plan and Road Map will be informed by the Audit Scotland report and the outcome of the Digital Maturity Assessment.

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**People management**

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

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

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

**Improvements this year**

The Workforce Delivery Plan is a live document, with actions/milestones programmed over a period of three years. A number of these have been achieved during the first year of implementation.

**Areas for future improvement**

The Learning and Development Programme for all line managers will continue this year, in line with revised ways of working and Council priorities as part of recovery/response.

As part of the Council's response to the pandemic, the Workforce Development Delivery Plan will be reviewed, primarily to ensure that the approaches in relation to leadership development, performance management and employee engagement remain fit for purpose (with particular reference to changes in working practices, and culture of the organisation).

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**Audit and assurance**

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

1. The Council has an **Audit Committee**, the remit of which is to:
  - ensure that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
  - in relation to the authority's internal audit functions:
    - oversee its independence, objectivity, performance and professionalism;
    - support the effectiveness of the internal audit process, and
    - promote the effective use of internal audit by approving the annual Internal Audit Plan.
  - consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations;
  - monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption;
  - consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control;
  - To support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process, and
  - To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
2. The Council's **Internal Audit** function is delivered via a joint working arrangement with Falkirk Council. The role of Internal Audit is to provide a balanced and evidence based opinion to Members on the adequacy of the Council's arrangements for risk management, governance, and control. On an annual basis, Internal Audit provides an Assurance report to the Audit Committee, which gives an overall opinion on the Council's risk management, governance, and control arrangements, based on the work they have carried out over the course of the year.

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3. The Council is externally audited by Audit Scotland who conduct an audit in accordance with the Code of Audit Practice approved by the Accounts Commission. Their responsibilities include assessing the Council's system of internal control to gain assurance that the Council:
  - has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements;
  - has systems of internal control which provide an adequate means of preventing and detecting material misstatement, error, fraud or corruption, and
  - complies with established policies, procedures, laws and regulations.
4. Many individual services and functions are subject to review by external agencies and inspectorates.

#### **Review of effectiveness**

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

- The work of the members of the Extended Strategic Leadership Group, who have responsibility for the development and maintenance of the governance environment
- The Internal Audit Annual Assurance Report
- The Management Report, provided annually by our External Auditor (currently Audit Scotland)
- Reports from other external review bodies, agencies and inspectorates
- Output from self-assessment undertaken by service managers evaluating the extent to which services comply with the local code, and identifying areas for improvement
- The completion of signed Certificates of Assurance. This year achieving signed Certificates has been challenging given home working. As an alternative the Annual Governance Statement was discussed at a meeting of Directors and Senior Managers so that the areas for improvement were identified and the requirement to plan improvements was agreed. Subsequently it was suggested that signed statements were also prepared and these are now available from the Directors of Place and Partnership & Performance and from the former Chief Education Officer confirming their opinion that the identified areas for improvement and associated action plan will address any current issues or risks. The Chief Social Work Officer did not sign one before she left her post in January 2021 so a copy of the social work



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department's response to review process has been provided to the Chief Executive. An offer of appointment has been made to appoint a Chief Social Work Officer and she will be tasked with ensuring that any areas for improvement will have an action plan to address any current issues or risks.

- A two-stage internal Governance review process involving senior and service managers. Stage one reviews the local code to make sure that it reflects the approaches that are most significant to the achievement of Council priorities and desired outcomes, and that the approaches are fit for purpose (owing to the impact of Covid 19, it has not been possible to complete a full review of the local code this year and this will be carried forward into the action plan for 2020-21). The second stage of the review is to check that the approaches are implemented in all relevant areas.

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

## **Significant Governance Issues**

### **Impact of Covid 19**

In light of the impact of the Covid 19 pandemic, the Council agreed at a special meeting held on 23<sup>rd</sup> March 2020 a number of temporary changes to Standing Orders. These include the cancellation of scheduled Council and committee meetings and the establishment of an Emergency Decision-Making Forum (EDMF) comprising 6 councillors, representing all of the political parties that make up the full Council. Arrangements were also agreed to allow remote participation in meetings by councillors by video link.

Owing to the impact of the pandemic, Audit Committee meetings scheduled for April and June 2020 were cancelled, but audit work continued throughout the year, with much of the work being done remotely.

The Annual Assurance Report by Internal Audit to the Audit Committee on 3<sup>rd</sup> December 2020 reported substantial assurance on the Council's arrangements for risk management, governance, and control for the year to 31<sup>st</sup> March 2020, and an Internal Audit plan is in place for 2020/21, that will focus on areas which have been identified as corporate or service specific risks.

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## **Financial Management**

Covid 19 has brought about significant financial pressures for both reactionary and recovery actions. Spend associated with this is being closely monitored to ensure that the Council has sufficient finances to cover these costs and that all funding available is being pursued. Reports will be issued throughout the year to update Council on the financial position and recovery strategies.

## **Procurement – Waste Services**

The audit of Procurement in Waste Services reported limited assurance in relation to Contract Strategy roles and responsibilities. Five actions were agreed in response, two of which have been completed:

- The exemption relating to the contract for Treatment of Co-mingled Mixed Recyclate was reported to the Audit Committee in December 2019.
- A mini competition for the treatment of Co-mingled Mixed Recyclate was undertaken, with a formal contract awarded in March 2020,

Due to the impact of the pandemic, delivery on the remaining three actions was delayed until 2020/21:

- A mini competition for the Treatment of Inert Waste and Rubble is to be undertaken through the Scotland Excel Dynamic Purchasing Framework,
- The tender process for the Disposal of Bulky Waste will either be undertaken by mini competition through Scotland Excel Dynamic Purchasing Framework, or the existing contract for Residual Waste will be utilised,
- A Waste Service Commodity Strategy is to be developed.

The audit also reported substantial assurance in relation to financial control arrangements, as well as contract management and monitoring arrangements.

## **Building Security**

An audit of building security arrangements carried out by Internal Audit during 2018-19 found that no assurance could be provided in relation to the adequacy of the controls in

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place to ensure that the Council's buildings and their contents are secured. A range of actions have since been put in place, including changes to procedures for the control of ID/access cards and enhanced staff information, aimed at raising awareness and improving organisational vigilance. A review by Internal Audit during 2019-20 found that robust security measures were in place to prevent and deter unauthorised access to the majority of the sampled buildings, but as unauthorised access to three buildings was gained, the review reported Limited Assurance in relation to the adequacy of building security arrangements. Further follow-up work was planned for late 2019/20, but this has been postponed due to Covid 19.

### **Best Value Assurance**

Local authorities have a statutory duty to secure Best Value. This includes the requirement to achieve continuous improvement in performance, while having regard to economy, efficiency, effectiveness, equality and sustainability. Audit Scotland, on behalf of the Accounts Commission scrutinise the arrangements local authorities have in place in regard to the duty of Best Value, and publish Best Value Assurance reports on each council at least once every 5 years. The Best Value Assurance report for Clackmannanshire was published in 2018 and a follow up report was published in June 2019. In response to the recommendations made by the Accounts Commission, the Council has put in place a wide ranging action plan, and progress is reported regularly to Council. The Commission has acknowledged the "positive momentum and increasing pace of change", but remains concerned about Council's financial position and the need for continued action.

### **Progress made on areas for improvement contained in the 2018/19 AGS**

<b>Areas for improvement</b>	<b>Progress</b>
Review the local Code of Governance with the aim of it being comprehensive, accessible (publicly and internally), and fully deployed.	Owing to the impact of Covid 19, it has not been possible to complete a full review of the local code. This will be carried forward into the action plan for 2020-21.

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<b>Areas for improvement</b>	<b>Progress</b>
Revise the Scheme of Delegation to bring it up to date and deploy as appropriate.	The Scheme of Delegation has had consequential updates but the full review is dependent on the restructure of the People directorate which still has not taken place.
Contribute to development of City Region Deal Governance Framework, for approval by the Partnership & Performance Committee.	Substantial progress has been made with the Joint Committee agreeing the Governance Framework for full deal sign off in February 2020.
Develop current Raising Concerns Policy into a Whistleblowing Policy, for approval by the Partnership & Performance Committee.	This work is partially complete but has not yet been concluded and will still need to be approved.
Carry out a development session with the Senior Managers Forum aimed at integrating the Corporate Plan into other strategies, policies and ongoing activities.	A number of sessions were held with Senior Managers on the Corporate Plan and Transformation Strategy. Sessions were also held with Senior Managers by IESE which aimed to strengthen understanding of the Golden Thread.
Develop and roll out activities to raise awareness of and promote corporate values.	Communications strategy agreed with SLG and implementation has progressed in many areas. Some activities stalled as a result of Covid 19 response.
Revise performance management and business planning guides.	Performance Management and Business Planning Guides were revised to align with the Council's Corporate Plan.
Fully implement new Clackmannanshire Alliance governance arrangements and complete a self-evaluation exercise, to support continuous improvement.	Some slippage as a result of Covid 19 response and recovery. Review/evaluation is now expected to take place in late Summer 2020.

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<b>Areas for improvement</b>	<b>Progress</b>
Develop an updated Communications Strategy and guidance.	Communications Strategy has been revised for 2020/25, but engagement on it was stalled as a result of Covid 19. This will now be resumed at the earliest opportunity.
Review corporate approaches in relation to customer care and develop a plan to improve customer experience	The Annual Complaints Report was reported to Audit Committee on 05/12/19. The Local Government Ombudsman has introduced a new Model Complaints Handling Process, which is to be implemented by local authorities during 2020-21.
Revise and update the Sustainability & Climate Change Strategy and establish a Carbon Management Group.	This has been delayed due to Covid 19 and resource levels within the team. Additional resource currently is being sought. Work is expected to start in September/October 2020
Develop a Capital Strategy in line with the Corporate Plan and Asset Plans.	Progress has been made in two significant areas of the Capital Strategy. The Learning Estate Strategy was approved in December 2019 and the City Region Deal was signed in February 2020. Further work is required during 2020/21 to develop other aspects of the strategy.
Further develop (financial) management information to inform decision making.	The Councils financial management system, TechnologyOne, was upgraded during 2019/20, providing additional functionality and an enhanced user experience.
Develop and roll out further training and guidance in financial management.	Several meetings were held with specific service areas to discuss financial governance and to work towards improvements in financial management.

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<b>Areas for improvement</b>	<b>Progress</b>
Develop and roll out a policy for dealing comprehensively with fraud.	This work is partially complete but has not yet been concluded and will still need to be approved.
Consolidate corporate support Information Management approaches in the Legal & Governance team and develop an action plan to address gaps.	This is being addressed as part of the team restructure.
Refresh the Risk Management Strategy and guidance.	This work is ongoing.

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Areas for improvement	Progress
Develop and roll out an updated Workforce Plan.	<p>The Strategic Workforce Plan covering the period 2019-2022 was approved by Council in June 2019. The Plan identifies clear workforce priorities to be taken forward over the next three year period, focusing on:</p> <ul style="list-style-type: none"> <li>• Creating a positive and inclusive organisational culture;</li> <li>• Having a sustainable and resilient workforce;</li> <li>• Ensuring our workforce feels supported, empowered, respected and engaged; and</li> <li>• Ensuring our workforce has the knowledge, skills and behaviours capable of meeting future demands.</li> </ul> <p>These priorities are being addressed through progression of the Workforce Development Delivery Plan.</p> <p>Internal Audit undertook a review of the Council's Strategic Workforce Planning arrangements in December 2019 and provided Substantial Assurance.</p> <p>In terms of development and roll out this is complete. Ongoing work is being progressed through the Workforce Delivery Plan.</p>

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**Improvement Plan 2020/21**

<b>Agreed action</b>	<b>Due by</b>	<b>Lead</b>
The Scheme of Delegation will be developed further, to tie in with the management restructure		Senior Manager Legal & Governance
Standing Orders will be further refined to improve clarity and training will be provided for elected members.		Senior Manager Legal & Governance
An updated Risk Management Framework will be finalised		Senior Manager Legal & Governance
Covid Recovery plans will be reviewed to ensure alignment with Be the Future		Senior Manager Finance & Revenues
New Mainstreaming Equalities and Diversity Outcomes for Clackmannanshire will be developed, for publication in April 2021.		Senior Manager Finance & Revenues
Action will be taken to ensure that new Hate Crime legislation is reflected in key Council policies.		Senior Manager Partnership & Transformation
LOIP priorities will be reviewed with Alliance partners		Senior Manager Partnership & Transformation
Alliance performance reporting arrangements will be reviewed and strengthened.		Senior Manager Partnership & Transformation
The Communication and Engagement Strategy will be consulted on and agreed		Senior Manager Partnership & Transformation



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<b>Agreed action</b>	<b>Due by</b>	<b>Lead</b>
Key documents relating to Communication and Engagement, including the Customer Charter, will be updated.		Senior Manager Partnership & Transformation
The review of the Sustainability and Climate Change Strategy will be completed, followed by engagement with key stakeholders.		Senior Manager Development
The Capital Plan will be reviewed to reflect revised strategic priorities and to align with the Be the Future programme, the Learning Estate, City Region Deal and Asset strategies.		Senior Manager Finance & Revenues
Guidance and training will be rolled out to strengthen Financial Governance		Senior Manager Finance & Revenues
The Information and Communication Technology (ICT) Strategy and ICT Asset Management Plans will be reviewed.		Senior Manager Partnership & Transformation
A Digital Transformation Delivery Plan and Road Map will be developed, informed by the Audit Scotland report and the outcome of the Digital Maturity Assessment.		Senior Manager Partnership & Transformation
The Learning and Development Programme for all line managers will continue		Senior Manager HR & Workforce Development
The Workforce Development Delivery Plan will be reviewed, primarily to ensure that the approaches in relation to leadership development, performance management and employee engagement remain fit for purpose		Senior Manager HR & Workforce Development

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**Statement of Assurance**

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

Areas for improvement set out above will be addressed to further improve the effectiveness of our Governance arrangements and will include an update on progress in our 2021 AGS.

**Nikki Bridle  
Chief Executive  
4 February 2021**

**Ellen Forson  
Leader of the Council  
4 February 2021**

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**Remuneration Report**

## General

Elements of the remuneration report are subject to audit, throughout the report the relevant sections have been noted as audited where applicable. The other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure they are consistent with the financial statements. The results presented in the tables comprising the Clackmannanshire Council's Remuneration Report for 2019/20 reflect the following contextual factors:

- Pay award of 3% from 1 April 2019 is included in the 2019/20 figures;
- As at 31 March 2020 there were 6 Senior Councillors in post. The maximum allowed for Clackmannanshire Council is 8;
- The corporate management structure is: Chief Executive, Strategic Director Place, Strategic Director People, Strategic Director Partnership & Performance; and
- The committee structure reflects the organisational structure with three committees; People Committee, Place Committee, Partnership and Performance Committee. There is also an Audit Committee aligning with the CIPFA guidance for Audit Committees in Local Authorities.

## Remuneration Arrangements

### Councillors

The remuneration of Councillors is regulated by the Local Government (Scotland) Act 2004 (Remuneration) and Regulations 2007 (SSI No. 2007/183), amended by SSI 2019/23). 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.

In line with the Regulations the following maximum salaries attributable are:

- Leader of the Council £29,119 (2018/19: £28,326);
- Civic Head (Provost) £21,840 (2018/19: £21,245) maximum remuneration is 75% of the sum payable to the leader, and
- Senior Councillors £19,656 (2018/19: £19,086).

The Regulations also set out that Clackmannanshire Council (Band A) is eligible to appoint a maximum of 8 Senior Councillors. Total remuneration available for Senior Councillors is based on a calculation detailed in Councillors' Remuneration Guidance. The total annual amount payable by the Council for remuneration to all its Senior Councillors shall not exceed £157,237 (2018/19: £152,686).

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### **Remuneration Report**

The remuneration paid to Senior Councillors in 2019/20 covering the year 1 April 2019 to 31 March 2020 totalled £143,909 (2018/19: £150,975). This includes £1,984 paid to Councillor Holden for serving as Vice Convenor on the Valuation Joint Board (2018/19: £1,589). Also included are payments for serving on the Association of Public Service Excellence (APSE) for Councillor Sharp £5,250 (2018/19: Councillor Sharp £5,250). This amount is recoverable from this organisation. The net cost to Clackmannanshire Council in relation to Senior Councillors is £136,673 (2018/19: £144,136). This complies with current regulations.

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

The Scheme which encompasses the salaries of all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the full Council on 21 June 2007, and details are available on the Council's website at: [www.clacksweb.org.uk](http://www.clacksweb.org.uk) under 'Elected Members' Remuneration'.

#### **Joint Boards**

Two joint boards exist; The Valuation Joint Board, and Clackmannanshire and Stirling Integration Joint Board.

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to Councillors with the responsibility of a Convenor or a Vice-Convenor of a Joint Board such as a Valuation Joint Board. The regulations require the remuneration to be paid by the Council of which the Convenor or Vice-Convenor (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convenor or Vice-Convenor being a member of the Local Government Pension Service. Clackmannanshire Council made payments of £1,984 in 2019/20 (2018/19: £1,589).

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

#### **Senior Employees**

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/150 sets the amount of salary for the Chief Executive of Clackmannanshire Council for the period 2018/19 to 2020/21. 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.

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

			Total Remuneration	
			2018/19	2019/20
Post holder	Position	Dates	£	£
Ellen Forsen	Leader of the Council	from 12/4/18	28,016	29,119
Tina Murphy	Provost	from 1/6/17	21,245	21,840
Graham Lindsay	Spokesperson for Education	from 28/6/17	19,119	19,655
Les Sharp	Spokesperson for Health & Social Services	from 12/4/18	24,377	24,905
Craig Holden	Spokesperson for Environment & Housing Valuation Joint Board - Depute Convenor	from 28/6/17 to 1/11/19 from 26/6/17	15,945	13,449
Helen Lewis	Spokesperson for Partnership and Third Sector	from 12/4/18	18,521	19,655
Donald Balsillie	Spokesperson for Audit and Finance Chair of Planning Committee Spokesperson for Environment & Housing (Interim)	from 1/2/19 from 1/6/17 from 2/11/19	19,119	19,655
Dave Clark	Chair of Audit Committee	from 1/6/19	3,187	16,379
Bill Mason	Chair of Audit Committee	from 1/6/18 to 31/5/19	15,933	3,276
Kenny Earle	Chair of Licensing Board	from 20/6/17	19,119	19,655
<b>Total Remuneration</b>			<b>184,581</b>	<b>187,588</b>

**Notes**

1. There were no Taxable Expenses or Benefits other than in cash paid to any of the Senior Councillors in 2019/20 or 2018/19.
2. During 2019/20 there were no changes to the administration of the Council with SNP from 9 March 2017 to present.
3. The Chair of the Audit committee is rotated between the opposition Labour and Conservative members. Councillor Bill Mason Conservative leader was Chair of Audit committee from 1/6/18 to 31/5/19 and Councillor Dave Clark Labour leader was Chair of Audit committee from 1/6/19 to 31 March 20. Their remuneration is shown pro-rata for their time as the Chair of Audit Committee. The annual equivalent salary for this post is £19,655.

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### Remuneration Report

4. Councillor Holden's remuneration includes £1,984 (2018/19: £1,589) for serving as the Vice Convener of Central Scotland Valuation Joint Board. This amount is recovered from the Joint Board.
5. Councillor Holden resigned as Convenor of Place Committee and Spokesperson for Environment and Housing Services with effect from 1 November 2019.
6. Councillor Sharp received £8,854 (2018/19: £8,171) remuneration from NHS Forth Valley for serving on the regional Health Board during 2019/20. This is paid directly by the NHS to each individual and are not included above.
7. Councillor Sharp's remuneration includes £5,250 (2018/19: £5,250) for serving on the Association of Public Service Excellence (APSE). This amount is recovered from the organisation.

#### Remuneration Paid to Councillors

Clackmannanshire Council currently has 17 Councillors and 1 vacant post in total who serve under the following structure:

Leader of the Council	1
Provost/Civic Head	1
Senior Councillors	6
Councillors	9
Vacant Councillor position	1
<b>Total Councillors</b>	<b><u>18</u></b>

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

Type of Remuneration (Audited)	2018/19 £	2019/20 £
Salaries	341,210	347,914
Employer's NIC and Pension	84,151	86,602
Expenses	8,080	7,544
<b>Total</b>	<b>433,441</b>	<b>442,060</b>

#### Notes

1. Total salaries remuneration shown in the above table is for all Councillors including Senior Councillors as detailed in Table 1.
2. The salaries figure above excludes £8,854 paid directly to Councillor Sharp in respect of serving on NHS Forth Valley Health Board (2018/19: £8,171 to Councillor Sharp).

The annual return of Councillors' salaries and expenses for 2019/20 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](http://www.clacksweb.org.uk) under 'Remuneration to Elected members'.

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**Remuneration Report**

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

Name and Post Title	Total Remuneration 2018-19	Salary, fees and allowances 2019-20	Severance Costs 2019-20	Total Remuneration 2019-20
	£	£	£	£
Nikki Bridle Chief Executive from 16/07/18. (Annual Salary £107,279)	102,644	107,279	-	107,279
Garry Dallas Strategic Director - Place from 27/08/18 until 18/08/19 (Annual Salary £93,080)	89,360	35,531	-	35,531
Stuart Crickmar Strategic Director - Partnerships & Performance from 27/08/18. (Annual Salary £93,080)	83,324	93,080	-	93,080
Fiona McOmish Strategic Director - People from 18/2/19 (Annual Salary £93,080)	10,304	93,266	-	93,266
Pete Leonard Strategic Director - Place from 05/08/19 (Annual Salary £93,080)	-	61,053	-	61,053
Anne Pearson Chief Education Officer until 30/11/19 (Annual Salary £87,484)	88,540	59,027	-	59,027
Lorraine Sanda Chief Education Officer (Acting) 02/12/19 until 12/01/20 Chief Education Officer from 13/01/20 (Annual Salary £79,165)	-	26,351	-	26,351
Margaret McIntyre Chief Social Work Officer (Acting) from 01/01/19 until 02/06/19 (Annual Salary £68,237)	17,059	11,717	-	11,717
Fiona Duncan Chief Social Work Officer from 03/06/19 (Annual Salary £75,285)	-	62,319	-	62,319
Lindsay Sim Chief Finance Officer from 01/02/19 (Annual Salary £75,285)	12,182	75,285	-	75,285
Lindsay Thomson Monitoring Officer from 01/11/18 (Annual Salary £65,134)	26,349	65,134	-	65,134
Annemargaret Black Clackmannanshire and Stirling and Health and Social Care Partnership Chief Officer from 17/06/19 (Annual Salary £94,156)	-	74,279	-	74,279
M Valente Clackmannanshire and Stirling Health and Social Care Partnership Chief Officer (Interim) from 01/04/19 until 16/06/19 (Annual Salary £85,488)	-	17,652	-	17,652
<b>Total</b>	<b>429,762</b>	<b>781,972</b>	<b>0</b>	<b>781,972</b>



# CLACKMANNANSHIRE COUNCIL

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### Remuneration Report

#### Notes to Remuneration of Senior Employees of the Council

1. The senior employees in the table include all those employees who have responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (including activities involving the expenditure of money) during the year to which the Report relates whether solely or collectively with other persons, or who hold a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989.
2. Pay award of 3% from 1 April 2019 is included in the 2019/20 figures.
3. The Chief Executive remuneration is in line with national agreement between Scottish Joint Negotiating Committee (SJNC) and Association of Local Authority Chief Executives (ALACE) includes a pay award of 3%, the annual salary is £107,279.
4. The table includes salaries paid by Scottish Fire and Rescue for the Strategic Director (People) who is on secondment.
5. The Chief Officer (Annemargaret Black) of Clackmannanshire & Stirling Health and Social Partnership salary is paid by NHS Forth Valley. The Council pays 20% of the salary costs for this post.
6. The Interim Chief Officer (M Valente) of Clackmannanshire & Stirling Health and Social Partnership 1 April to 16 June 2019 was employed by Stirling Council who met the costs of the interim appointment for this period in full.

#### General Disclosure by Pay Band (Audited)

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

Remuneration Band	No of Employees 2018/19	No of Employees 2019/20
£50,000 - £54,999	40	36
£55,000 - £59,999	17	38
£60,000 - £64,999	9	18
£65,000 - £69,999	2	9
£70,000 - £74,999	1	4
£75,000 - £79,999	-	1
£80,000 - £84,999	2	1
£85,000 - £89,999	2	2
£90,000 - £94,999	-	1
£95,000 - £99,999	-	0
£100,000 - £104,999	1	0
£105,000 - £109,999	-	1
	<b>74</b>	<b>111</b>

#### Notes

1. Annual increments and the pay award 3.5% has increased the number of employees falling into bands £55,000 - £59,999.
2. The amount of employees in £50,000-£54,999 has decreased by 4 mainly as a result of the teacher pay award increase moving them up into the next band.
3. There is an increase of 7 in the £65,000 to £69,999 band due to the teachers pay award increase for 2019/20.
4. The amount of employees in £70,000 - £74,999 has increased by 3 as a result of pay awards and two employees starting new roles in 2019/20.
5. Council restructure has increased employees in band £90,000-£94,999 by 1 and decreased employees in band £80,000 to £84,999 by 1. This is similar to band £75,000 - £79,999 which increased by 1.
6. First full year of change of Chief Executive resulted in reduction by 1 to 0 in £100,000 - £104,999 and increase by 1 in £105,000 - £109,999.



# CLACKMANNANSHIRE COUNCIL

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### Remuneration Report

#### Pension Benefits

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

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

From 1 April 2015 Councillors and local government employees have been in the same pension scheme although there are some provisions of the LGPS 2015 that do not apply to Councillors. Councillors' pension benefits built up to 31 March 2015 are protected.

Local Government employee pensions to 31 March 2015 are protected and worked out on final pay when leaving. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme to 31 March 2015. From 1 April 2015 the normal retirement age will be the same as an individual's state pension age with a minimum of age 65.

From 1 April 2015 contribution rates were:

Whole Time Pay		Contribution rate 2018/19 between %	Contribution rate 2019/20 between %
£0	£22,441	5.5	5.5
£22,442	£29,193	5.6 - 6.0	5.6 - 6.0
£29,194	£36,652	6.1 - 6.5	6.1 - 6.5
£36,653	£51,713	6.6 - 7.5	6.6 - 7.5
£51,714	£58,259	7.6 - 8.0	7.6 - 8.0
£58,260	£78,008	8.1 - 9.0	8.1 - 9.0
£78,009	£118,012	9.1 - 10	9.1 - 10
£118,013	And above	10.1 & over	10.1 & over

*\*Source: Scottish Public Pensions Agency, Contributions.*

If a person works part-time their contribution rate is worked out on their actual pensionable pay and matched to the appropriate band in the contribution table.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to a limit set by the Finance Act 2004.

# CLACKMANNANSHIRE COUNCIL

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### Remuneration Report

From 1 April 2015 the accrual rate guarantees an annual credit to members' Pension Accounts based on 1/49 of pensionable pay received in that scheme year.

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

The pension entitlements for Senior Councillors who have elected to join the pension scheme for the year ended 31 March 2020 are shown in the table below, together with the contribution made by the Council to each Senior Councillors' pension during the year.

**Table 3 (Audited): Senior Councillors Pension Benefits**

			Pension Contributions		Accrued Pension Benefits			
			2018/19	2019/20	Difference to 2018/19		As at 31/3/20	
			£	£	£'000	£'000	£'000	£'000
Post Holder	Position	Dates			Pension	Lump Sum	Pension	Lump Sum
Ellen Forsen	Leader of the Council	from 12/4/18	6,024	6,406	0	0	3	0
Tina Murphy	Provost	from 1/6/17	4,568	4,805	1	0	7	2
Graham Lindsay	Spokesperson for Education	from 28/6/17	4,111	4,324	0	0	1	0
Les Sharp	Spokesperson for Health & Social Services	from 12/4/18	4,112	4,324	1	0	9	0
Helen Lewis	Spokesperson for Partnership and Third Sector	from 12/4/18	4,092	4,324	1	0	1	0
Donald Balsillie	Spokesperson for Audit and Finance Chair of Planning Committee Spokesperson for Environment & Housing (Interim)	from 1/2/19 from 1/6/17 from 2/11/19	4,111	4,324	1	1	5	2
Dave Clark	Chair of Audit Committee	from 1/6/19	4,111	4,199	0	0	1	0
Kenny Earle	Chair of Licensing Board	from 20/6/17	4,111	4,324	1	0	4	0
<b>Total</b>			<b>35,240</b>	<b>37,030</b>	<b>5</b>	<b>1</b>	<b>31</b>	<b>4</b>

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

## Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each Senior Employees' pension during the year.

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**Table 4 (Audited): Senior Employees Pension Benefits**

Name and Post Title	Pension Contributions		Accrued Pension Benefits			
	2018/19	2019/20	Difference to 2018/19		As at 31/3/20	
	£	£	£'000	£'000	£'000	£'000
			Pension	Lump Sum	Pension	Lump Sum
Nikki Bridle Chief Executive from 16/07/18.	22,135	23,601	4	3	44	66
Garry Dallas Strategic Director - Place from 27/08/18 until 18/08/19	19,429	7,817	2	2	46	87
Stuart Crickmar Strategic Director - Partnerships & Performance from 27/08/18.	18,095	20,478	5	5	37	58
Fiona McOmish Strategic Director - People from 18/2/19	1,989	18,000	4	-	16	-
Pete Leonard Strategic Director - Place from 05/08/19	-	13,432	1	-	1	-
Anne Pearson Chief Education Officer until 30/11/19	19,036	12,986	2	-	7	-
Lorraine Sanda Chief Education Officer (Acting) 02/12/19 until 12/01/20 Chief Education Officer from 13/01/20	-	15,867	2	-	5	-
Margaret McIntyre Chief Social Work Officer (Acting) from 01/01/19 until 02/06/19	13,864	14,519	1	-	20	23
Fiona Duncan Chief Social Work Officer from 03/06/19	-	13,710	24	32	24	32
Lindsay Sim Chief Finance Officer from 01/02/19	3,673	16,563	3	-	22	24
Lindsay Thomson Monitoring Officer from 01/11/18	12,827	14,329	1	-	3	-
Annemargaret Black Clackmannanshire and Stirling Health and Social Care Partnership Chief Officer from 17/06/19	-	15,542	24	69	24	69
M Valente Clackmannanshire and Stirling Health and Social Care Partnership Chief Officer (Interim) from 01/04/19 until 16/06/19	-	3,884	4	-	64	-
<b>Total</b>	<b>111,048</b>	<b>190,728</b>	<b>77</b>	<b>112</b>	<b>313</b>	<b>359</b>

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#### Notes

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

#### Termination Benefits (Audited)

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision committing to the termination of employment of the offer to an officer or to a group of officers to encourage voluntary redundancy.

The Council agreed the voluntary termination of the contracts of 9 employees (2018/19: 40) through voluntary redundancy and voluntary severance during 2019/20, incurring liabilities of £1.022m (2018/19: £1.284m). There were no employees whose voluntary severance was approved during the 2019/20 financial year but who were not due to leave until the 2020/21 financial year. The number of employees and costs of exit packages per pay band is shown in the table below.

Disclosed costs include, where applicable: redundancy and pension costs in relation to lump sum, strain payments and capitalised added years. Any early terminations which might arise on the grounds of health or dismissal fall outside the regulatory disclosure requirement and would not be disclosed. There were no compulsory redundancies in the current or previous year.

		Total Number of exit packages by Cost band		Total Cost of exit packages by Cost band	
Cost Bands		2018/19	2019/20	2018/19	2019/20
£0	£20,000	20	1	207,908	1,527
£20,001	£40,000	10	-	295,320	-
£40,001	£60,000	3	-	140,804	-
£60,001	£80,000	3	1	213,090	60,969
£80,001	£100,000	1	2	90,407	187,925
£100,001	£150,000	3	2	336,773	264,812
£150,001	£200,000	-	3	-	507,066
<b>Total</b>		<b>40</b>	<b>9</b>	<b>1,284,302</b>	<b>1,022,299</b>

#### Paid Time-off provided to Trade Union Representatives

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

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Trade Union Act 2016.

**Relevant Union Officials**

During the year 20 (2018/19 20) employees took part in union activities, as relevant union officials, some of whom were part time:

	2018/19	2019/20
<b>Number of employees</b>	20	20
<b>Full-time Equivalent</b>	19.02	17.48

**Facility time**

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

% of time	Employees	
	2018/19	2019/20
0%	4	0
1-50%	14	18
51-99%	1	1
100%	1	1

Of the total pay bill, £91k (0.11%) related to facility time under taken during the year.

	2018/19	2019/20
	£'000	£'000
Facility time cost	83.4	90.6
Total pay bill	77,718	85,602
% of pay bill	0.11%	0.11%

**Paid trade union activities**

The percentage of the total paid facility time that relates to relevant union officials was £1.2k or 1.38% (2018/19 £3.2k or 3.84%).

**Nikki Bridle**  
**Chief Executive**  
**4 February 2021**

**Ellen Forson**  
**Leader of the Council**  
**4 February 2021**

# **CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2019/20**

## ***Independent Auditor's Report***

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

#### **Report on the audit of the financial statements**

##### **Opinion on financial statements**

I certify that I have audited the financial statements in the annual accounts of Clackmannanshire Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, and Balance Sheets, the council-only Cash Flow Statement, Housing Revenue Account Income and Expenditure Statement, Movement in Housing Revenue Account Statement, Council Tax Income Account, Non Domestic Rates Income Account, the Common Good and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Conclusions relating to going concern basis of accounting**

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

## **CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2019/20**

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

### **Risks of material misstatement**

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

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

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

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the annual accounts**



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

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

### **Report on other requirements**

#### **Opinions on matters prescribed by the Accounts Commission**

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

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

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

#### **Matters on which I am required to report by exception**

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

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

I have nothing to report in respect of these matters.

#### **Conclusions on wider scope responsibilities**

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



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**Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

4 February 2021

**CLACKMANNANSHIRE COUNCIL**  
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*Comprehensive Income & Expenditure Statement*  
*For the year ended 31 March 2020*

This statement shows the accounting cost in the year of providing services in accordance with proper accounting practices rather than the amount to be funded from taxation. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. 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.

2018/19 Restated*			Note	2019/20		
Gross Expenditure	Gross Income	Net Expenditure /(Income)		Gross Expenditure	Gross Income	Net Expenditure /(Income)
£'000	£'000	£'000		£'000	£'000	£'000
72,198	(4,922)	67,276		87,503	(6,231)	81,272
30,768	(19,714)	11,054		27,447	(21,055)	6,392
27,952	(8,414)	19,538		33,811	(9,628)	24,183
18,713	(19,144)	(431)		20,830	(19,715)	1,115
2,220	-	2,220		1,659	-	1,659
45,471	(28,634)	16,837		47,996	(30,676)	17,320
381	-	381		395	-	395
<b>197,703</b>	<b>(80,828)</b>	<b>116,875</b>		<b>219,641</b>	<b>(87,305)</b>	<b>132,336</b>
473	-	473		371	-	371
11,108	(779)	10,329	9	9,007	(1,036)	7,971
-	(122,707)	(122,707)	10	-	(128,183)	(128,183)
<b>209,284</b>	<b>(204,314)</b>	<b>4,970</b>		<b>229,019</b>	<b>(216,524)</b>	<b>12,495</b>
		2	25			(58,628)
		1,947	25			34,990
		15,086	25			(32,927)
		<b>17,035</b>				<b>(56,565)</b>
		<b>22,005</b>				<b>(44,070)</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

**CLACKMANNANSHIRE COUNCIL**  
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***Movement in Reserves Statement***

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

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

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**Movement in Reserves Statement**  
**For the year ended 31 March 2020**

		General Fund Reserve	Housing Revenue Account	Capital Receipts Reserve	Insurance Fund	Capital Grants & Receipts Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2019/20</b>									
<b>Balance brought forward</b>		(8,581)	(3,722)	(3,597)	(1,301)	(2,813)	(20,014)	(98,265)	(118,279)
<b>Movement in Reserves during 2019/20</b>									
Total Comprehensive Income and Expenditure		9,521	2,974	-	-	-	12,495	(56,565)	(44,070)
Adjustments between accounting basis & funding basis	7	(10,774)	(3,896)	(465)	-	244	(14,891)	14,891	-
<b>Net increase/ decrease before transfers to Earmarked Reserves</b>		(1,253)	(922)	(465)	-	244	(2,396)	(41,674)	(44,070)
Transfers to/from Earmarked Reserves	8	(2,024)	140	1,988	21	(125)	-	-	-
<b>Increase or (decrease) in 2019/20</b>		(3,277)	(782)	1,523	21	119	(2,396)	(41,674)	(44,070)
<b>Balance carried forward</b>		(11,858)	(4,504)	(2,074)	(1,280)	(2,694)	(22,410)	(139,939)	(162,349)
		General Fund Reserve	Housing Revenue Account	Capital Receipts Reserve	Insurance Fund	Capital Grants & Receipts Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2018/19 Restated*</b>									
<b>Balance brought forward</b>		(9,714)	(2,559)	(3,058)	(1,274)	(3,398)	(20,003)	(120,281)	(140,284)
<b>Movement in Reserves during 2018/19</b>									
Total Comprehensive Income and Expenditure		4,256	714	-	-	-	4,970	17,035	22,005
Adjustments between accounting basis & funding basis	7	(2,186)	(2,241)	(963)	-	373	(5,017)	5,017	-
<b>Net increase/ decrease before transfers to Earmarked Reserves</b>		2,070	(1,527)	(963)	-	373	(47)	22,052	22,005
Transfers to/from Earmarked Reserves	8	(937)	364	424	(27)	212	36	(36)	-
<b>Increase or (decrease) in 2018/19</b>		1,133	(1,163)	(539)	(27)	585	(11)	22,016	22,005
<b>Balance carried forward</b>		(8,581)	(3,722)	(3,597)	(1,301)	(2,813)	(20,014)	(98,265)	(118,279)

\*For further details, please refer to Note 40 – Prior Period Adjustments

**CLACKMANNANSHIRE COUNCIL**  
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*Notes to the Financial Statements*  
**Balance Sheet as at 31 March 2020**

The Balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example 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 of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<b>31 March 2019 Restated* £'000</b>		<b>Note</b>	<b>31 March 2020 £'000</b>
358,010	Property, Plant & Equipment	11	373,009
795	Heritage Assets	12	805
5,026	Investment Properties	13	8,330
681	Intangible Assets	14	514
9,265	Long-Term Investments	15	1,859
1	Long-Term Debtors		1
<b>373,778</b>	<b>Non-Current Assets</b>		<b>384,518</b>
505	Investment Properties held for Sale	13	290
-	Assets held for Sale	16	-
440	Inventories	17	451
12,264	Short-Term Debtors	18	12,951
5,000	Short-Term Investments	19	9,406
12,048	Cash and Cash Equivalents	19	16,814
<b>30,257</b>	<b>Current Assets</b>		<b>39,912</b>
(24,957)	Short-Term Creditors	20	(21,604)
(835)	Provisions	21	(5)
(2,343)	Short-Term Borrowings	22	(2,723)
<b>(28,135)</b>	<b>Current Liabilities</b>		<b>(24,332)</b>
(21)	Provisions	21	(44)
(96,812)	Long-Term Borrowing	22	(101,328)
(39,765)	Other Long-Term Liabilities	23	(38,465)
(121,023)	Pension Liabilities	36	(97,912)
<b>(257,621)</b>	<b>Long-Term Liabilities</b>		<b>(237,749)</b>
<b>118,279</b>	<b>Net Assets</b>		<b>162,349</b>
(20,014)	Usable Reserves		(22,410)
(98,265)	Unusable Reserves	25	(139,939)
<b>(118,279)</b>	<b>Total Reserves</b>		<b>(162,349)</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

The unaudited financial statements were issued on 10 September 2020 and the audited financial statements were authorised for issue on 4 February 2021

**Lindsay Sim, Chief Finance Officer**  
**4 February 2021**

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**Cash Flow Statement**  
**For the year ended 31 March 2020**

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

<b>2018/19</b>		<b>Notes</b>	<b>2019/20</b>
<b>£'000</b>			<b>£'000</b>
(4,970)	Net (deficit) on the provision of services	CIES	(12,495)
31,246	Adjustments to net deficit on the provision of services for non-cash movements	26b	31,065
(9,959)	Adjustments for items included in the net deficit of the provision of services that are investing & financing activities	26c	(10,508)
<b>16,317</b>	<b>Net cash flows from Operating Activities</b>		<b>8,062</b>
(8,176)	Investing Activities	27	(6,975)
(5,952)	Financing Activities	28	3,679
<b>2,189</b>	<b>Net increase (decrease) in cash and cash equivalents</b>	19	<b>4,766</b>
9,859	Cash and Cash equivalents at the beginning of the reporting year	19	12,048
<b>12,048</b>	<b>Cash and Cash equivalents at the end of the reporting year</b>	19	<b>16,814</b>

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

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**Note 1 - Accounting Policies**

**a) General Principles**

The Annual Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which Section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. In line with the code of practice the accounts have been prepared on a going concern basis of accounting.

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets. The accounting policies have been applied consistently in the current and prior years.

**b) Accruals of Income and Expenditure**

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

- Revenue from contracts with service recipients, whether for the provision of services or the sale of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Revenue from Council Tax and Non Domestic Rates is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably. Revenue is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including those rendered by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract, and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.



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**c) Cash and Cash Equivalents**

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

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

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

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

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

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

**e) Charges to Revenue for Non-Current Assets**

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

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

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

**f) Employee Benefit's Payable During Employment**

Short-term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements or any form of

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leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

**Termination Benefits**

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

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

**Post Employment Benefits**

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

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

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

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

**The Local Government Pension Scheme**

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

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

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

The change in the net pension's liability is analysed into seven components:

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- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited/credited to Other Comprehensive Income and Expenditure; and
- contributions paid to the Falkirk Pension Fund – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, Scottish Government Regulations require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

#### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early voluntary severance. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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**g) Events after the Reporting Period**

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

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

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

**h) Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability or equity instrument to another entity.

**Financial Liabilities**

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

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

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

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

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**Financial Assets**

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

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

The Council's business model is to hold investments to collect contractual cash flows.

Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

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

**Financial Assets Measured at Amortised Cost**

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

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

**Expected Credit Loss Model**

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

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

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

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**i) Government Grants and Contributions**

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

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

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

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

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

**Business Improvement Districts**

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

**j) Heritage Assets**

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

Wherever possible heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. Heritage assets are complex and difficult to value and obtain in a cost effect manner. In circumstances where values cannot be obtained, either due to the nature of the assets or the prohibitive cost of obtaining a valuation, the regulations under which these accounts are prepared permit the Council not to recognise the assets on the face of the Balance Sheet. The Council is required however to disclose full details of any assets treated in this manner in a note to the Financial Statements. The Council's collections of heritage assets



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are accounted for as follows:

**Recognised in Balance Sheet at Valuation**

- Art Collections
- Public Art statues
- Civic Regalia
- Museum Collections (including equipment & ephemera)
- Commemorative Room

**Not recognised in Balance Sheet**

- War Memorials
- Glassworks & Mosaics
- Listed Building

An impairment review of heritage assets is carried out whenever there is evidence of physical deterioration with the carrying value of the asset and any associated reserve being adjusted as necessary. Heritage assets are not subject to depreciation.

**k) Intangible Assets**

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

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the

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General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and any sale proceeds posted to the Capital Receipts Reserve.

**l) Interests in Companies and Other Entities**

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

**m) Inventories**

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

**n) Investment Properties**

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

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

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

**o) Leases**

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

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

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

***The Council as Lessee***

**Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the



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present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

### **Operating Leases**

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

### ***The Council as Lessor***

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

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

## **p) Property, Plant and Equipment**

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

### **Recognition**

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

### **Measurement**

The Council adopted IFRS13 - Fair Value Measurement, which provides a common definition of fair values, taking into account the characteristics of the assets or liabilities which would be considered by market participants in determining the price of the asset or liability. This standard would apply to all property, plant and equipment assets, however, as the purpose of a local authority acquiring and holding an asset is to deliver services it is the service potential which is the primary concern. On this basis the Code has adapted IAS16 - Property Plant and Equipment and introduced a new definition of current value to require that operational local authority property, plant and equipment assets will continue to be measured for their service potential and not fair value.

Non operational property, plant and equipment (i.e. surplus assets) require to be measured at

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the lower of cost and net realisable value.

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not lead to a variation in the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

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

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

Non-HRA assets included in the Balance Sheet at fair value are reviewed annually to ensure that their carrying amount is not materially different from their fair value at the year-end. HRA assets are reviewed at least every five years, the last major review being at 1 April 2019. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, or credited to the Comprehensive Income and Expenditure Statement where they arise as a reversal of a revaluation loss previously charged to a service.

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

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

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

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may

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be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer (up to 70 years);
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (i.e. up to 15 years);
- infrastructure – straight-line allocation over 60 years; and
- depreciation is not charged in year of purchase, but a full year charge is made in year of sale.

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

### **Componentisation**

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

Significant components are deemed to be those whose cost is 25% or more of the total cost of the individual asset. In accordance with the Council's approved policy, an individual asset is considered to be material if its carrying value is 5% or more of the cumulative carrying value (net book value) of the non-land element of PPE and Investment Properties. Any individual

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asset below this de-minimis will be disregarded for component accounting on the basis that any adjustment to depreciation charges would not be material.

**Disposals**

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

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

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

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

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

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

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

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

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to

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the scheme operator to pay for the capital investment. For the Secondary Schools scheme the liability was written down by an initial capital contribution of £16.35m.

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge of 7.59% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

**Provisions**

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

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

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

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

**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain



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future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the Financial Statements.

**Contingent Assets**

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

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

**r) Reserves**

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

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

**s) Revenue Expenditure Funded from Capital under Statute**

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

**t) VAT**

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

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**Note 2 Changes to Accounting Standards**

**Accounting Standards Adopted in the Year**

- Amendments to IAS 40 Investment Property: Transfers of Investment Property;
- Annual Improvements to IFRS Standards 2014-2016 Cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty Over Income Tax Treatments; and
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

**Accounting Standards Issued not yet Adopted**

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The Code requires implementation from 1 April 2020 and there is therefore no impact on the 2019/20 financial statements.

This applies to the adoption of the following new or amended standards within the 2020/21 Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement; and
- IFRS 16 Leases. The Council will adopt this standard with effect from 1 April 2021. Implementation was previously expected to take effect from 1 April 2020 however, CIPFA/LASAAC has agreed to delay implementation in local authorities until 1 April 2021 due to the impact of Covid 19. The Council will continue to review its current lease portfolio in preparation for the new accounting requirements to ensure it is in a position to fully meet them.

**Note 3 - Critical Judgements in Applying Accounting Policies**

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

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



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## Notes to the Financial Statements

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

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

The items in the Council's Balance Sheet at 31 March 2020 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	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets.</p> <p>Assets included in the balance sheet at fair value are reviewed on a five yearly cycle. An annual review of significant assets is also carried out to ensure there is no material difference between the carrying amount from their fair value at year end.</p> <p>The recent Covid 19 pandemic led to the complete closure of the property market in early 2020 and resulted in an initial level of uncertainty for market valuation. Since the market has reopened, these uncertainties have, in the main, been removed except for retail/hospitality sectors and some localized property sectors. These sectors do not affect the Council, and since it is the Council's intention to continue to provide services from its current building asset base, it is assessed that, at the current time, there is no impact on the property valuations used in the accounts.</p>	<p>If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings and Council houses would increase by £0.682m and £0.252m respectively for every year that useful lives had to be reduced.</p>
Arrears – Council Tax	<p>At 31 March 2020 the Council had Council Tax debt outstanding of £11.622m. A review of outstanding balances suggested that an allowance for doubtful debts of £9.245m was appropriate resulting in coverage of 80% for doubtful debts. However, in the current economic climate such an allowance might not be sufficient.</p>	<p>If collection rates were to deteriorate and the provision had to be increased, for every 5% increase in the provision then a further contribution of £634k would be required.</p>

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<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual Results Differ from Assumptions</b>
Pensions Liability	Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the real discount rate would result in an increase in the pension liability of 10% equating to £40.61m.
Housing Rent Arrears	At 31 March 2020 the Council had Housing Rent Arrears of £2.074m. A review of outstanding balances suggested that an impairment for irrecoverable rents of £1.938m was appropriate resulting in a coverage of 93% for doubtful debts.	The Council has 100% coverage on all Former Tenant Rent Arrears and those Current Tenant's over £500. If the current position for the others was to increase by 5% then an increased contribution of £0.015m would be required.

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**Note 5 – Events after the Reporting Period**

The Audited Financial Statements were authorised for issue by the Chief Finance Officer (Section 95 Officer) on 4 February 2021. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date are not reflected in the Financial Statements or Notes.

**Note 6 – Expenditure and Funding Analysis**

The Expenditure and Funding Analysis shows how the funding available to the Council for the year, from government grants, council tax and business rates, has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 76. The Adjustments between Funding and Accounting basis is shown more fully in Note 7 on page 108.

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

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**Note 6 - Expenditure & Funding Analysis**

2018/19 Restated\*

Net Expenditure chargeable to GF & HRA balances	Adjustments between Funding & Accounting basis	Net Expenditure in the CI&E statement
£'000	£'000	£'000
60,133	7,144	67,277
13,407	(2,353)	11,054
16,598	2,940	19,538
(2,764)	2,332	(432)
2,220	-	2,220
16,744	93	16,837
381	-	381
<b>106,719</b>	<b>10,156</b>	<b>116,875</b>
<b>(106,176)</b>	<b>(5,729)</b>	<b>(111,905)</b>
<b>543</b>	<b>4,427</b>	<b>4,970</b>
		<b>£'000</b>
		12,273
		(543)
		573
		<b>12,303</b>

People  
Partnership & Performance  
Place  
HRA - Place  
Corporate Services  
Clackmannanshire and Stirling  
Integration Joint Board  
Central Scotland Valuation Joint  
Board

**Cost of Services**  
**Other Income and Expenditure**  
**(Surplus)/Deficit**

**Opening GF & HRA Balance**  
Surplus/ (Deficit) in the year  
Transfer (to)/from other  
statutory reserves  
**Closing GF and HRA Balance**

2019/20

Net Expenditure chargeable to GF & HRA	Adjustments between Funding & Accounting basis	Net Expenditure in the CI&ES
£'000	£'000	£'000
65,681	15,592	81,273
8,190	(1,798)	6,392
16,573	7,608	24,181
(2,122)	3,238	1,116
1,659	-	1,659
17,646	(326)	17,320
395	-	395
<b>108,022</b>	<b>24,314</b>	<b>132,336</b>
<b>(110,197)</b>	<b>(9,644)</b>	<b>(119,841)</b>
<b>(2,175)</b>	<b>14,670</b>	<b>12,495</b>
		<b>£'000</b>
		12,303
		2,175
		1,884
		<b>16,362</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

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**Note 6 - Expenditure & Funding Analysis**

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

2019/20	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000
People	12,991	2,747	(146)	15,592
Partnership & Performance	(3,476)	1,838	(160)	(1,798)
Place	6,289	1,282	37	7,608
HRA - Place	2,216	963	59	3,238
Corporate Services	-	-	-	-
Clackmannanshire and Stirling Integration Joint Board	(326)	-	-	(326)
Central Scotland Valuation Joint Board	-	-	-	-
<b>Cost of Services</b>	<b>17,694</b>	<b>6,830</b>	<b>(210)</b>	<b>24,314</b>
<b>Other Income and Expenditure</b>	<b>(12,630)</b>	<b>2,986</b>	<b>-</b>	<b>(9,644)</b>
<b>(Surplus)/Deficit</b>	<b>5,064</b>	<b>9,816</b>	<b>(210)</b>	<b>14,670</b>

Adjustments for capital purposes include the replacement of depreciation and revaluation losses with repayment of borrowing to the Loans Fund and direct revenue funding of capital expenditure.

Net changes for pensions adjustments relate to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.

Other adjustments include the reversal of the value of entitlement to accrued leave and the timing differences for premiums and discounts associated with borrowing within the Loans Fund.

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**Note 6 - Expenditure & Funding Analysis**

2018/19	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000
People	4,890	1,883	371	7,144
Partnership & Performance	(6,455)	4,313	(211)	(2,353)
Place	2,073	885	(18)	2,940
HRA - Place	1,706	653	(27)	2,332
Corporate Services	-	-	-	-
Clackmannanshire and Stirling Integration Joint Board	93	-	-	93
Central Scotland Valuation Joint Board	-	-	-	-
<b>Cost of Services</b>	<b>2,307</b>	<b>7,734</b>	<b>115</b>	<b>10,156</b>
<b>Other Income and Expenditure</b>	<b>(8,410)</b>	<b>2,681</b>	<b>0</b>	<b>(5,729)</b>
<b>(Surplus)/Deficit</b>	<b>(6,103)</b>	<b>10,415</b>	<b>115</b>	<b>4,427</b>

Adjustments for capital purposes include the replacement of depreciation and revaluation losses with repayment of borrowing to the Loans Fund and direct revenue funding of capital expenditure.

Net changes for pensions adjustments relate to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.

Other adjustments include the reversal of the value of entitlement to accrued leave and the timing differences for premiums and discounts associated with borrowing within the Loans Fund.

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**Note 6 - Expenditure & Funding Analysis**

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

2018/19 Restated*				2019/20		
Net Expenditure chargeable to GF & HRA balances £'000	Adjustments between Funding & Accounting basis £'000	Net Expenditure in the CI&E statement £'000		Net Expenditure chargeable to GF & HRA balances £'000	Adjustments between Funding & Accounting basis £'000	Net Expenditure in the CI&E statement £'000
82,024	8,059	90,084	Employee costs	85,935	6,833	92,768
20,736	-	20,736	Other Operating Costs	23,308	-	23,308
54,798	-	54,798	Third Party & Transfer Payments	57,245	-	57,245
-	15,430	15,430	Depreciation	-	28,500	28,500
13,333	(13,333)	-	Capital Financing Costs	11,019	(11,019)	-
(64,172)	-	(64,172)	Income	(69,485)	-	(69,485)
<b>106,719</b>	<b>10,156</b>	<b>116,875</b>	<b>Cost of Services</b>	<b>108,022</b>	<b>24,314</b>	<b>132,336</b>
<b>(106,176)</b>	<b>(5,729)</b>	<b>(111,905)</b>	<b>Other Income and Expenditure</b>	<b>(110,197)</b>	<b>(9,644)</b>	<b>(119,841)</b>
<b>543</b>	<b>4,427</b>	<b>4,970</b>	<b>(Surplus)/Deficit</b>	<b>(2,175)</b>	<b>14,670</b>	<b>(12,495)</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

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**Note 6 - Expenditure & Funding Analysis**

The table below shows the analysis by the management structure of the Council and the type of expenditure:

**2019/20**

	People	Partnership & Performance	Place	HRA - Place	Corporate Services	Clackmannanshire and Stirling Integration Joint Board	Central Scotland Valuation Joint Board	Net Expenditure chargeable to GF & HRA balances
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employee costs	51,664	7,899	10,589	6,932	1,844	7,007	0	85,935
Other Operating Costs	7,523	649	10,169	2,623	(77)	629	0	21,516
Third Party & Transfer Payments	12,188	16,423	5,334	1,217	(108)	21,796	395	57,245
Capital Financing Costs	-	4,197	-	6,822	-	-	-	11,019
Income								
Government Grants and Other	(3,920)	(20,279)	(1,375)	-	-	(11,782)	-	(37,356)
Contributions Fees, charges and other service income	(1,480)	(633)	(4,746)	(19,706)	-	(4)	-	(26,569)
Income from recharges for services	(294)	(66)	(3,398)	(10)	-	-	-	(3,768)
<b>Cost of Services</b>	<b>65,681</b>	<b>8,190</b>	<b>16,573</b>	<b>(2,122)</b>	<b>1,659</b>	<b>17,646</b>	<b>395</b>	<b>108,022</b>



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**Note 6 - Expenditure & Funding Analysis**

The table below shows the analysis by the management structure of the Council and the type of expenditure:

**2018/19 Restated\***

	People	Partnership & Performance	Place	HRA - Place	Corporate Services	Clackmannanshire and Stirling Integration Joint Board	Central Scotland Valuation Joint Board	Net Expenditure chargeable to GF & HRA balances
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employee costs	46,973	9,191	9,892	6,719	2,091	7,158	0	82,024
Other Operating Costs	7,002	261	10,203	2,537	235	498	0	20,736
Third Party & Transfer Payments	11,039	16,529	4,877	1,011	(106)	21,067	381	54,798
Capital Financing Costs	39	7,141	40	6,113	-	-	-	13,333
Income								
Government Grants and Other Contributions	(3,378)	(19,105)	(4,106)	-	-	(11,972)	-	(38,561)
Fees, charges and other service income	-	(110)	-	-	-	-	-	(110)
Income from recharges for services	(1,542)	(500)	(4,308)	(19,144)	-	(7)	-	(25,501)
<b>Cost of Services</b>	<b>60,133</b>	<b>13,407</b>	<b>16,598</b>	<b>(2,764)</b>	<b>2,220</b>	<b>16,744</b>	<b>381</b>	<b>106,719</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

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

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

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

**General Fund Balance**

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

**Housing Revenue Account Balance**

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

**Capital Receipts Reserve**

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

**Capital Grants & Receipts Unapplied Account**

The Capital Grants & Receipts Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place. It also holds Capital Receipts which have been earmarked fund Council transformation projects in line with the statutory provision of Local Government Finance Circular 4/2019.

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**Insurance Fund**

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

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**Note 7 – Adjustments between Accounting Basis and Funding Basis under Regulations 2019/20**

	General Fund Balance £'000	Housing Revenue Account £'000	Usable Reserves Capital Receipts Reserve £'000	Capital Grants & Receipts Unapplied £'000	Insurance Fund £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment account:</b>						
<b>Reversal of items debited or credited to the CIES</b>						
Charges for depreciation and impairment of non-current assets	(10,070)	(4,563)	-	-	-	14,633
Revaluation losses on property, plant and equipment	(9,239)	(4,439)	-	-	-	13,678
Movements in the fair value of investment assets	3,022	(48)	-	-	-	(2,974)
Amortisation of intangible assets	(189)	-	-	-	-	189
Capital grants and contributions applied	8,938	356	-	-	-	(9,294)
Revenue Expenditure Funded from Capital under Statute	-	-	-	-	-	-
Non-current assets written off on disposal/ sale as part of gain/ (loss) on disposal To the Comprehensive Income and Expenditure Statement	(222)	(631)	-	-	-	853
<b>Insertion of items not debited or credited to the CIES</b>						
Statutory provision for the financing of capital investment	4,021	610	-	-	-	(4,631)
Capital expenditure charged against the General Fund and HRA Balances	-	6,176	-	-	-	(6,176)
<b>Adjustments primarily involving the Capital Grants &amp; Receipts Unapplied account</b>						
Capital Grants and contribution unapplied credited to the CIES	732	-	-	(732)	-	-
Application of Grants to Capital Financing	-	-	-	976	-	(976)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds as part of the Gain/ (loss) on disposal to the CIES	465	16	(481)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	16	-	-	(16)
<b>Adjustments primarily involving the Financial Instruments Adjustments Account</b>						
difference between finance costs charged to the CIES & statutory requirements	212	-	-	-	-	(212)
<b>Adjustments involving Pension Reserve</b>						
Reversal of items relating to post employment benefits debited or credited to the Provision of Services in the CIES (see Note 42)	(17,779)	(2,285)	-	-	-	20,064
Employer's pensions contributions and direct payments to pensioner in year	9,277	971	-	-	-	(10,248)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
Difference between officer remuneration charges to the CIES & statutory requirements	58	(59)	-	-	-	1
<b>Total Adjustments</b>	<b>(10,774)</b>	<b>(3,896)</b>	<b>(465)</b>	<b>244</b>	<b>-</b>	<b>14,891</b>

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**Note 7 – Adjustments between Accounting Basis and Funding Basis under Regulations**  
2018/19 Restated\*

	General Fund Balance £'000	Housing Revenue Account £'000	Usable Reserves Capital Receipts Reserve £'000	Capital Grants & Receipts Unapplied £'000	Insurance Fund £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment account:</b>						
<b>Reversal of items debited or credited to the CIES</b>						
Charges for depreciation and impairment of non-current assets	(7,436)	(7,819)	-	-	-	15,255
Movements in the fair value of investment assets	387	-	-	-	-	(387)
Amortisation of intangible assets	(174)	-	-	-	-	174
Capital grants and contributions applied	6,847	578	-	-	-	(7,425)
Revenue Expenditure Funded from Capital under Statute	-	-	-	-	-	-
Amounts of non-current assets written off on disposal/ sale as part of gain/ (loss) on disposal to the Comprehensive Income and Expenditure Statement	(1,689)	(247)	-	-	-	1,936
<b>Insertion of items not debited or credited to the CIES</b>						
Statutory provision for the financing of capital investment	6,930	1,517	-	-	-	(8,447)
Capital expenditure charged against the General Fund and HRA Balances	79	4,596	-	-	-	(4,675)
<b>Adjustments primarily involving the Capital Grants &amp; Receipts Unapplied account</b>						
Capital Grants and contribution unapplied credited to the CIES	1,071	-	-	(1,071)	-	-
Application of Grants to Capital Financing	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds as part of the Gain/ (loss) on disposal to the CIES	1,427	36	(963)	(500)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	0	1,944	-	(1,944)
<b>Adjustments primarily involving the Financial Instruments Adjustments Account</b>						
difference between finance costs charged to the CIES & statutory requirements	211	-	-	-	-	(211)
<b>Adjustments involving Pension Reserve</b>						
Reversal of items relating to post employment benefits debited or credited to the Provision of Services in the CIES (see Note 42)	(22,279)	1,663	-	-	-	20,616
Employer's pensions contributions and direct payments to pensioner in year	12,793	(2,592)	-	-	-	(10,201)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
Difference between officer remuneration charges to the CIES & statutory requirements	(353)	27	-	-	-	326
<b>Total Adjustments</b>	<b>(2,186)</b>	<b>(2,241)</b>	<b>(963)</b>	<b>373</b>	<b>-</b>	<b>5,017</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

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**Note 8 – Transfers to/from Earmarked Reserves**

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

<b>2019/20</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Insurance Fund</b>	<b>Capital Grants &amp; Receipts Unapplied Account</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net Transfer to Insurance Fund from General Fund	(21)	-	-	21	-
Transfer from Capital Receipts Reserves to fund Voluntary Severance	(87)	-	87	-	-
Consideration from HRA for transfer of Assets	-	140	(140)	-	-
Transfer from Capital Receipts Reserves to fund Revenue Expenditure	(2,041)	-	2,041	-	-
Transfer from Capital Grants and Receipts Unapplied Account to fund Revenue Expenditure	(25)	-	-	-	25
Transfer to Capital Grants and Receipts Unapplied Account	150	-	-	-	(150)
	<b>(2,024)</b>	<b>140</b>	<b>1,988</b>	<b>21</b>	<b>(125)</b>

<b>2018/19</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Insurance Fund</b>	<b>Capital Grants &amp; Receipts Unapplied Account</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net Transfer to Insurance fund from General Fund	27	-	-	(27)	-
Transfer from Capital Grants & Receipts Unapplied Account to apply Grant	(212)	-	-	-	212
Transfer from Capital Receipts Reserves to Fund Voluntary Severance	(83)	-	83	-	-
Consideration from HRA for transfer of Assets	-	364	(364)	-	-
Transfer from Capital Receipts Reserves to fund Revenue Expenditure	(669)	-	669	-	-
Transfer from Capital Receipts Reserves to fund Capital Expenditure	-	-	36	-	-
	<b>(937)</b>	<b>364</b>	<b>424</b>	<b>(27)</b>	<b>212</b>

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**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 Statement.

	Notes	2018/19 Restated* £'000	2019/20 £'000
Interest payable and similar charges		8,814	8,940
Net Interest on the Net Defined Benefit Liability		2,681	2,986
Interest receivable and similar income		(647)	(851)
Changes in the carrying value Market loans		(7)	(7)
Revaluation of Investment Property	7	(387)	(2,974)
Rental Income from Investments		(125)	(123)
		<b>10,329</b>	<b>7,971</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

**Note 10 – Taxation and Non-Specific Grant Income**

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

	2018/19 £'000	2019/20 £'000
<b>Credited to Taxation and Non Specific Grant Income:</b>		
Council Tax	21,313	22,804
Grant allocation for Council Tax Reduction Scheme	3,626	3,536
Non-Domestic Rate Income distributed by pool	15,326	17,315
Non-ring fenced government grants	73,946	74,502
Capital grants and contributions	8,496	10,026
<b>Total</b>	<b>122,707</b>	<b>128,183</b>

**Net Cost of Services within the Comprehensive Income and expenditure Account**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

	2018/19 £'000	2019/20 £'000
<b>Credited to Services</b>		
DWP grant for Benefits	14,462	14,017
Criminal Justice	1,318	1,285
Other revenue grants (including EMA and Home Insulation)	6,279	4,294
Other Capital Grants & Contributions	37	-
<b>Total</b>	<b>22,096</b>	<b>19,596</b>

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**Note 11 – Property, Plant & Equipment (PPE)**

**Valuations**

Assets at valuation are included in the Balance Sheet at their current asset value as at 1 April 2019 and as amended by annual revaluation and subsequent additions and disposals. The Council appointed the J&E Shepherd Chartered Surveyors to conduct its five-yearly valuation of assets during 2019/20, carried out by Ian Hannon, MRICS, Managing Partner. The basis for valuation is set out in the Statement of Accounting Policies.

<b>Movements in 2019/20</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Assets under Construction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant &amp; Equip £'000</b>	<b>Concession Assets Included in PPE £'000</b>
<b>Cost or Valuation</b>								
At 1 April 2019	154,614	187,365	20,991	61,413	12,641	1,240	438,264	94,621
Additions	6,489	4,706	1,679	3,289	4,454	30	20,647	31
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(31,030)	(12,056)	-	(1)	-	(553)	(43,640)	
De-recognition – Disposals	(679)	(55)	(1,085)	-	-	(4)	(1,823)	(11,971)
Assets reclassified (to)/from Investment Assets	-	(106)	-	-	-	(13)	(119)	-
Other Movements in Cost or Valuation	(60)	15,842	-	-	(15,642)	(339)	(199)	-
<b>At 31 March 2020</b>	<b>129,334</b>	<b>195,696</b>	<b>21,585</b>	<b>64,701</b>	<b>1,453</b>	<b>361</b>	<b>413,130</b>	<b>82,681</b>



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**Note 11 – Property, Plant & Equipment (PPE)**

<b>Depreciation charge</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Assets under Construction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant &amp; Equip £'000</b>	<b>Concession Assets included in PPE £'000</b>
At 1 April 2019	33,281	21,597	15,568	9,682	-	126	80,254	9,743
Depreciation charge	4,499	7,761	1,329	1,039	-	-	14,628	2,907
Depreciation written out on revaluations recognised in the Revaluation Reserve	(32,969)	(20,537)	-	-	-	(85)	(53,591)	(9,742)
De-recognition – Disposals	(49)	-	(1,078)	-	-	-	(1,127)	-
Other movements in depreciation and impairment	-	(3)	-	-	-	(40)	(43)	-
<b>At 31 March 2020</b>	<b>4,762</b>	<b>8,818</b>	<b>15,819</b>	<b>10,721</b>	<b>-</b>	<b>1</b>	<b>40,121</b>	<b>2,908</b>
Net Book Value:								
<b>At 31 March 2020</b>	<b>124,572</b>	<b>186,878</b>	<b>5,766</b>	<b>53,980</b>	<b>1,453</b>	<b>360</b>	<b>373,009</b>	<b>79,773</b>

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	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Assets under Construction</b>	<b>Surplus Assets</b>	<b>Total Property, Plant &amp; Equip £'000</b>	<b>Concession Assets included in PPE £'000</b>
<b>Movements in 2018/19</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		
<b>Cost or Valuation</b>								
<b>At 1 April 2018</b>	149,790	188,752	20,264	57,873	3,625	123	420,426	94,621
Additions	5,183	3,390	1,500	3,540	9,016	-	22,630	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	36	(533)	-	-	-	69	(428)	-
De-recognition – Disposals	(395)	(195)	(773)	-	-	-	(1,363)	-
Assets reclassified (to)/from Investment Assets	-	(2,976)	-	-	-	130	(2,846)	-
Other Movements in Cost or Valuation	-	(1,073)	-	-	-	918	(155)	-
<b>At 31 March 2019</b>	<b>154,614</b>	<b>187,365</b>	<b>20,991</b>	<b>61,413</b>	<b>12,641</b>	<b>1,240</b>	<b>438,264</b>	<b>94,621</b>
<b>Depreciation charge</b>								
<b>At 1 April 2018</b>	25,716	17,227	14,911	8,704	-	7	66,565	7,794
Depreciation charge	7,713	5,214	1,348	978	-	-	15,253	1,949
Recognised in the Revaluation Reserve	-	(124)	-	-	-	(86)	(210)	-
De-recognition – Disposals	(148)	(3)	(691)	-	-	-	(842)	-
Other movements in depreciation and impairment	-	(717)	-	-	-	205	(512)	-
<b>At 31 March 2019</b>	<b>33,281</b>	<b>21,597</b>	<b>15,568</b>	<b>9,682</b>	<b>-</b>	<b>126</b>	<b>80,254</b>	<b>9,743</b>
<b>Net Book Value:</b>								
<b>At 31 March 2019</b>	<b>121,333</b>	<b>165,768</b>	<b>5,423</b>	<b>51,731</b>	<b>12,641</b>	<b>1,114</b>	<b>358,010</b>	<b>84,878</b>

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**Capital Commitments**

At 31 March 2020 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £25.7m. Similar commitments at 31 March 2019 were £26.1m. The major commitments are as follows:

	£'m
• HRA Council Housing Window Replacement	3.6
• HRA Council Housing Roof & Render	1.8
• HRA Council Housing Safe Electrical Testing	1.5
• HRA Council Housing Brickwork	1.0
• Kilncraigs BPRA	4.9
• Park Primary School and Nursery	2.6
• Roads & Transportation	2.9

**Note 12 Heritage Assets**

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

	Art Collection	Public Art - Statues, Glassworks and Mosaics	Industrial Equipment & Other items	Total Assets
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 April 2019	115	500	180	795
Revaluation	-	10	-	10
<b>31 March 2020</b>	<b>115</b>	<b>510</b>	<b>180</b>	<b>805</b>
<b>Cost or Valuation</b>				
At 1 April 2018	115	500	220	835
Disposals	-	-	(40)	(40)
<b>31 March 2019</b>	<b>115</b>	<b>500</b>	<b>180</b>	<b>795</b>

**Art Collection**

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

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

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**Public Art – Statues**

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

**Public Art - Glassworks and Mosaics**

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

**Industrial Equipment and Ephemera**

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

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

- Harviestoun Silver Soup Tureen
- Robert Millar Long Case Clock
- Paton & Baldwins Model
- Alloa Pottery Collection
- Arnsbrae Candelabra
- Collection of Civil Regalia

**Revaluation of Heritage Assets**

As part of the five yearly valuation of assets, as mentioned in Note 11, the Commemoration Room within the residential development at Menstrie Castle has been written on the Balance Sheet and is now included within the carrying value of Heritage Assets held by the Council.

**Assets excluded from Heritage Assets**

The Council has a number of assets that may be regarded as Heritage Assets, but which have not been included in the Balance Sheet since the Council considered that obtaining valuations would involve disproportionate cost or reliable cost or valuation information cannot be obtained for these items. This is because of the diverse nature of assets held, the number of assets held, and the lack of comparable market values. The Code therefore permits such assets to be excluded from the Balance Sheet. Within this category the Council owns and maintains 12 War Memorials throughout the County, Glassworks and mosaic pieces installed

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at buildings in the County. The Council also owns the Tolbooth in Clackmannan which is a listed building and classed as a heritage assets but is not within the carrying value of Heritage Assets held on the Balance Sheet.

**Note 13 – Investment Properties**

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

**Investment Properties (Non Current Assets)**

	<b>2018/19</b>	<b>2019/20</b>
	<b>Restated</b>	
	<b>*</b>	
	<b>£'000</b>	<b>£'000</b>
Balance 1 April	3,786	5,026
Additions	10	-
Net gains/(losses)from fair value adjustments	(1,825)	3,191
Transfers to/from:		
PPE	2,846	116
Assets held for sale	233	-
Depreciation	(24)	(3)
<b>Balance 31 March</b>	<b>5,026</b>	<b>8,330</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

**Investment Properties Held for Sale (Current Assets)**

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Balance 1 April	1,565	506
Additions	-	-
Disposals	(827)	-
Net Gains/(losses) from fair value adjustments	-	(216)
Transfers from Investment Properties	(233)	-
<b>Balance 31 March</b>	<b>505</b>	<b>290</b>
<b>Total Investment Properties</b>	<b>5,531</b>	<b>8.620</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The only direct operating expenses for the period relates to professional fees incurred in marketing Greenfield House.

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

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Rental income from investment property	(188)	(178)

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Direct operating expenses arising from investment property	63	55
	<u>(125)</u>	<u>(123)</u>

**Note 14 – Intangible Assets**

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £189k charged to revenue in 2019/20 was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services within the Comprehensive Income and Expenditure Statement. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Carrying Value</b>		
1 April	1,769	1,074
Additions	74	21
Disposals Gross Cost	(769)	-
	<u><b>1,074</b></u>	<u><b>1,095</b></u>
<b>Amortisation</b>		
1 April	(988)	(393)
Disposal accumulated amortisation	769	-
Amortisation for the year	(174)	(188)
	<u><b>(393)</b></u>	<u><b>(581)</b></u>
<b>Carrying Value 31 March</b>	<u><b>681</b></u>	<u><b>514</b></u>

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**Note 15 – Long-Term Investments**

This note provides detail of the Long-Term Investments held on the Balance Sheet. Further information on Clackmannanshire Regeneration LLP and Coalsnaughton 2012 NHT LLP can be found in the Group Financial Statements on page 165.

	<b>2018/19 Restated* £'000</b>	<b>2019/20 £'000</b>
CSBP Clackmannanshire Investments Ltd (at cost)	1	-
Clackmannanshire Regeneration LLP	4,906	-
Coalsnaughton 2012 NHT LLP	4,358	1,859
	<b>9,265</b>	<b>1,859</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

**Note 16 – Assets Held for Sale**

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

	<b>Notes</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
<b>Balance Outstanding at start of year</b>		<b>400</b>	<b>-</b>
Impairment Losses		-	-
Assets reclassified (to)/from Other Land & Buildings	11	155	-
Assets reclassified (to)/from Surplus Assets	11	-	197
Assets reclassified (to)/from Investment Properties	13	-	-
Assets sold		(617)	(197)
Derecognition - Disposals			(40)
Other movements in depreciation and impairment			40
Depreciation on reclassification		(56)	-
Additions		6	-
<b>Balance outstanding at year-end</b>		<b>-</b>	<b>-</b>

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**Note 17 – Inventories**

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

	Building Works		Roads		Vehicle Maintenance		Other		Total	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
<b>1 April</b>	<b>195</b>	<b>165</b>	<b>67</b>	<b>79</b>	<b>39</b>	<b>64</b>	<b>84</b>	<b>132</b>	<b>385</b>	<b>440</b>
Purchased	721	825	273	180	487	438	1,018	1,093	2,499	2,536
Expenses in the year	(751)	(820)	(261)	(143)	(462)	(449)	(970)	(1,113)	(2,444)	(2,525)
<b>31 March</b>	<b>165</b>	<b>170</b>	<b>79</b>	<b>116</b>	<b>64</b>	<b>53</b>	<b>132</b>	<b>112</b>	<b>440</b>	<b>451</b>

**Note 18 – Short-Term Debtors**

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

The Debtors balance at the year end is made up as follows:	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Central Government Bodies	4,907	4,827
Other Local Authorities	677	591
NHS Bodies	1,197	786
Other entities and individuals	5,483	6,747
<b>Total</b>	<b>12,264</b>	<b>12,951</b>

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

This note provides detail of the Short Term Investments and Cash and Cash Equivalents in the Balance Sheet on page 79.

	<b>2018/19 Restated* £'000</b>	<b>2019/20 £'000</b>
<b>Short-Term Investments</b>		
Coalsnaughton NHP 2012 LLP	-	2,499
CSBP Clackmannanshire Investments Ltd (at cost)	-	1
Clackmannanshire Regeneration LLP	-	4,906
Cash deposit with banks	5,000	2,000
	<b>5,000</b>	<b>9,406</b>
<b>Cash and Cash Equivalents</b>		
Cash held by the Council	28	32
Bank current accounts	12,020	16,782
<b>Total Cash and Cash Equivalents</b>	<b>12,048</b>	<b>16,814</b>
<b>TOTAL</b>	<b>17,048</b>	<b>26,220</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments



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In December 2011 the Council agreed to lend £4.906m to Clackmannanshire Regeneration LLP, a company established to develop the new Council offices in Kilncraigs under the Business Premises Renovation Allowance (BPRA) scheme. This sum has been invested in the company for eight years in accordance with the development agreement and earns interest at the prevailing Public Works Loan Board rate. The investment is due to be repaid during 2020/21.

CSBP Clackmannanshire Investments Ltd has been transferred from Long Term investments as this investment is due to be repaid during 2020/21.

**Note 20 – Short-Term Creditors**

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

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

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Central government bodies	2,597	2,617
Other local authorities	2,919	2,323
NHS bodies	286	1,502
Public corporations and trading funds	282	282
Other entities and individuals	18,873	14,880
<b>Total</b>	<b>24,957</b>	<b>21,604</b>

**Note 21 – Provisions**

<b>2019/20</b>	<b>Opening Balance At 1 April £'000</b>	<b>Additional provision made in 2019/20 £'000</b>	<b>Reduction In Provision £'000</b>	<b>Amounts used in 2019/20 £'000</b>	<b>Balance At 31 March 2020 £'000</b>
<b>Short Term Provisions</b>					
Equal Pay	(4)	(8)	-	12	-
Municipal Mutual	(5)	(2)	-	2	(5)
Legal Case – Ordinarily Resident	(826)	-	826	-	-
<b>Total Short Term Provisions</b>	<b>(835)</b>	<b>(10)</b>	<b>826</b>	<b>14</b>	<b>(5)</b>
 Municipal Mutual	 (21)	 (23)	 -	 -	 (44)
<b>Total Long Term Provisions</b>	<b>(21)</b>	<b>(23)</b>	<b>-</b>	<b>-</b>	<b>(44)</b>
 <b>Total Provisions</b>	 <b>(856)</b>	 <b>(33)</b>	 <b>826</b>	 <b>14</b>	 <b>(49)</b>

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

#### **Kitchen Contract**

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

#### **Legal cases PPP**

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

#### **Equal Pay**

Payments of £12k during the year fully utilised the brought forward balance of £4k and the additional provision of £8k was made during the year. All known claims have now been concluded and settled.

#### **Municipal Mutual Insurance**

Prior to Local Government reorganisation in 1996, Central Regional Council and Clackmannan District Council entered into a solvent run-off arrangement with their insurer, MMI with the aim of having sufficient assets to meet outstanding insurance claims. However, the outcome of previous litigation has triggered the Scheme of Arrangement and created a financial liability for Clackmannanshire Council as successor Council. The Council had originally made provision to cover a levy of up to 30% amounting to £153k. Payments of £139k have been made from the provision which includes an actual increase of the levy from 15% to 25%. The provision was increased in 2016/17 by £12k and in 2019/20 by £25k based on estimates of the liability. The short term provision remains at £5k to reflect claims that are expected to be settled within the 2020/21 financial year. The balance of £44k is a long term provision to meet future claims.

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**Legal Cases – Ordinarily Resident**

A dispute has arisen around the Ordinarily Resident status of five individuals with Falkirk Council. This is where the resident address of the individual determines which organisation will pay for their care. If the person moves between Councils, the obligation to pay for that person goes with them. Delays in notifying these changes, has led to seven people being resident in Clackmannanshire before the Council was aware of the change. A provision was established in 2017/18 for £376k which was increased in 2018/19 to £826k. The matter has now been concluded with no cost to the Council and the provision has been removed.

**Voluntary Severance**

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

**Note 22 - Borrowings**

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

	<b>Total Outstanding at:</b>	
	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Source of Loan</b>		
<b>Repayable within 12 months</b>		
Public Works Loan Board	-	412
Market Loans	63	63
Other Short Term Borrowings	-	-
<b>Revenue Advances:</b>		
Common Good & Trust Funds	357	357
Central Scotland Valuation Joint Board	689	655
Accrued Interest on borrowing	1,234	1,236
	<b>2,343</b>	<b>2,723</b>
<b>Repayable after 12 months</b>		
Public Works Loan Board	72,513	77,099
Lender Option, Borrowing Option (LOBO) Loans	5,000	5,000
Market Loans	19,299	19,229
	<b>96,812</b>	<b>101,328</b>

**Note 23 – Other Long Term Liabilities**

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
PFI & Finance Liabilities (see note (a) below)	39,148	37,845
Other Long-term Liabilities (see note (b) below)	617	619
	<b>39,765</b>	<b>38,464</b>

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(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 the Street Lighting. Note 33 Leases page 138 and Note 34 Private Finance Initiative and Similar Contracts page 140 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:

	<b>PFI Scheme 2018/19 £'000</b>	<b>Street Lighting 2018/19 £'000</b>	<b>Total 2018/19 £'000</b>	<b>PFI Scheme 2019/20 £'000</b>	<b>Street Lighting 2019/20 £'000</b>	<b>Total 2019/20 £'000</b>
<b>Balance at 1 April</b>	41,100	242	<b>41,342</b>	40,207	167	<b>40,374</b>
Finance Lease Creditor Repaid in year	(893)	(75)	<b>(968)</b>	(1,146)	(80)	<b>(1,226)</b>
<b>Balance 31 March</b>	<b>40,207</b>	<b>167</b>	<b>40,374</b>	<b>39,061</b>	<b>87</b>	<b>39,148</b>
<b>Ageing:</b>						
Liabilities due over more than one year	39,061	87	<b>39,148</b>	37,845	-	<b>37,845</b>
Liabilities due within one year	1,146	80	<b>1,226</b>	1,216	87	<b>1,303</b>
	<b>40,207</b>	<b>167</b>	<b>40,374</b>	<b>39,061</b>	<b>87</b>	<b>39,148</b>

(b) Other Long-term Liabilities

These sums relate to contributions received from developers to be utilised at future dates for infrastructure etc. within both private housing schemes and town centre re-development. The reinstatement bond will additionally contribute to the planned restoration of the former open cast coal site.

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Developer Contributions	7	6
Reinstatement Bond	610	614
	<b>617</b>	<b>620</b>

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**Note 24 – Financial Instruments**

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

**Financial Instrument Balances**

Categories of Financial Instruments

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

**Financial Assets**

	Non-Current				Current			
	Investments			Debtors	Investments		Debtors	Total
	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March
	2019	2020	2019	2020	2019	2020	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost								
Principal	9,265	1,859	1	1	-	7,406	2,674	11,768
Cash & Cash Equivalents	-	-	-	-	17,048	18,814	-	18,814
<b>Total financial assets</b>	<b>9,265</b>	<b>1,859</b>	<b>1</b>	<b>1</b>	<b>17,048</b>	<b>26,220</b>	<b>2,674</b>	<b>30,582</b>

**Financial Liabilities**

	Non-Current				Current			
	Borrowings			Creditors	Borrowings		Creditors	Total
	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March
	2019	2020	2019	2020	2019	2020	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost								
Principal	96,812	101,328	-	-	1,109	1,487	9,779	107,425
Accrued Interest	-	-	-	-	1,234	1,236	-	1,236
PFI and Finance Lease facilities	39,148	37,845	-	-	1,226	1,303	-	39,148
<b>Total Financial Liabilities</b>	<b>135,960</b>	<b>139,173</b>	<b>-</b>	<b>-</b>	<b>3,569</b>	<b>4,026</b>	<b>9,779</b>	<b>147,809</b>

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**Items of income, expense, gains or losses**

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

	<b>2018/19</b>		<b>2019/20</b>	
	<b>Surplus or Deficit on the Provision of Services £'000</b>	<b>Other Comprehensive Income and Expenditure £'000</b>	<b>Surplus or Deficit on the Provision of Services £'000</b>	<b>Other Comprehensive Income and Expenditure £'000</b>
Interest Income				
financial assets				
measured at amortised	506	-	521	-
cost				
<b>Total interest revenue</b>	<b>506</b>	<b>-</b>	<b>521</b>	<b>-</b>
<b>Interest expense</b>	<b>8,709</b>	<b>-</b>	<b>8,794</b>	<b>-</b>

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**Fair Value of Assets and Liabilities Carried at Amortised Costs**

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

**Methods and Assumptions in valuation technique**

Financial assets and financial liabilities represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the net present value of the cash flows that take place over the remaining life of the instruments (Level 2: inputs rather than quoted prices that are observable for the financial asset/liability), using the following assumptions:

- For PWLB loans, fair values have been calculated using both redemption and new borrowing (certainty rate) discount rates;
- Interpolation techniques have been used between available rates where the exact maturity period was not available;
- For non-PWLB loans, fair values have been calculated using both PWLB redemption and new PWLB Certainty Rate loan discount rates;
- No early repayment or impairment is recognised;
- Fair values have been calculated for all instruments in the portfolio, but only those which are materially different from the carrying value are disclosed;
- Where an instrument has a maturity less than 12 months or is a trade or other receivable the fair value is taken to be the invoiced or billed amount; and
- The fair value PFI and Finance Lease Liabilities are calculated based on the interest rates applicable to the contracts.

**Fair Values of Assets and Liabilities**

The Fair values are calculated as follows:-

	<b>2018/19</b>		<b>2019/20</b>	
	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>
PWLB – Maturity	73,673	125,124	78,675	124,316
PWLB – Annuity	33	52	32	48
LOBO's	5,041	7,905	5,041	7,546
Market Loans	19,362	28,514	19,292	28,421
Other Loans	-	-	-	-
<b>Total Debt/Financial Liabilities</b>	<b>98,109</b>	<b>161,595</b>	<b>103,040</b>	<b>160,331</b>

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Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest at above the current market rates increases the amount the Council would have to pay if the lender agreed to the early repayment of the loans.

The fair value of Public Works Loan Board (PWLB) loans of £124.316m (2018/19 £125.124m) measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB borrowing interest rates, termed the PWLB certainty rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to repay at redemption rates published by the PWLB rather than from the markets. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the redemption rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £78.7m would be valued at £175.8m. But if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption. The exit price for the PWLB loans including the penalty charge would be £175.8m, comprising the principal of £77.5m, accrued interest of £1.2m and a premium of £97.1m.

**Note 25 – Unusable Reserves**

		2018/19 Restated*	2019/20
	Note	£'000	£'000
Revaluation Reserve	a)	(81,699)	(101,011)
Capital Adjustment Account	b)	(142,696)	(141,736)
Financial Instruments Investment Account	c)	2,325	2,113
Pensions Reserve	d)	121,023	97,912
Accumulating Compensated Absences Adjustment Account	e)	2,782	2,783
<b>Total Unusable Reserves</b>		<b>(98,265)</b>	<b>(139,939)</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

**a) Revaluation Reserve**

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

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



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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.

	<b>2018/19</b>	<b>2019/20</b>
	<b>Restated*</b>	
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(85,021)</b>	<b>(81,699)</b>
Upward revaluation of non-current assets	2	(58,628)
Downward revaluation of non-current assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,947	34,990
<b>Surplus/deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>1,949</b>	<b>(23,638)</b>
Difference between fair value depreciation and historical cost depreciation	57	4,277
Accumulated (losses) on assets sold or scrapped	1,316	49
<b>Amount written off to the Capital Adjustment Account</b>	<b>1,373</b>	<b>4,326</b>
<b>Balance at 31 March</b>	<b>(81,699)</b>	<b>(101,011)</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

#### **b) Capital Adjustment Account**

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

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

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

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

	2018/19 Restated* £'000	2019/20 £'000
<b>Balance at 1 April</b>	<b>(135,774)</b>	<b>(142,696)</b>
<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	15,255	14,633
Revaluation losses on property, plant and equipment	-	13,678
Amortisation of intangible assets	174	189
Amounts of non current assets written off on disposal / sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,936	853
Amounts written out of the Revaluation Reserve on assets sold or scrapped	(1,316)	(49)
	<b>16,049</b>	<b>29,304</b>
<u>Capital financing applied in the year:</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(36)	(16)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(7,425)	(9,294)
Application of grants to capital financing from the Capital Grants & Receipts Unapplied Account	(1,944)	(976)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balance	(8,447)	(4,631)
Capital expenditure charged against the General Fund and HRA balances	(4,675)	(6,176)
Depreciation on Revaluation Reserve	(57)	(4,277)
Movement in the market value of Investment Properties	(387)	(2,974)
Debited or credited to CIES	(22,971)	(28,344)
<b>Balance at 31 March</b>	<b>(142,696)</b>	<b>(141,736)</b>

\*For further details, please refer to Note 40 – Prior Period Adjustments

### c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement of Reserves Statement.

Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

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As a result, the balance on the Account at 31 March 2020 will be charged to the General Fund over the next 35 years.

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	2,536	2,325
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(204)	(204)
Amount by which finance costs charges to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(7)	(8)
<b>Balance at 31 March</b>	<b>2,325</b>	<b>2,113</b>

**d) Pensions Reserve**

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

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	95,522	121,023
Return on Pension Assets	(17,654)	29,975
Actuarial Gains or Losses on Pension Assets and Liabilities	32,740	(62,902)
Reversal of items debited or credited to CIES	20,616	20,064
Employers Pensions contribution and direct payments to pensioners in the year	(10,201)	(10,248)
<b>Balance at 31 March</b>	<b>121,023</b>	<b>97,912</b>

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**e) Accumulating Compensated Absences Adjustment Account**

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year.

Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	2,456	2,782
Settlement or cancellation of accrual made at the end of the preceding year	(2,456)	(2,782)
Amounts accrued at the end of the current year	2,782	2,783
 Movement in the year	 326	 1
 <b>Balance at 31 March</b>	 <b>2,782</b>	 <b>2,783</b>

**Note 26 – Cash Flow Statement – Operating Activities**

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

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Interest Received	(647)	(701)
Interest Paid	11,495	11,925
(Surplus) or deficit on the provision of services (CIES)	4,970	12,495

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

	<b>Notes</b>	<b>2018/19</b>	<b>2019/20</b>
		<b>£'000</b>	<b>£'000</b>
Depreciation	11 & 13	15,256	14,633
Downward valuations	7	(387)	10,703
Amortisation	14	174	188
Increase in Interest Creditors		(45)	3
Increase/ (decrease) in Creditors	20	3,396	(3,628)
(Increase)/ decrease in Debtors	18	541	(677)
(Increase)/Decrease in Inventories	17	(55)	(11)
Pension Liability	36	10,415	9,816
Contributions to/(from) Provisions	21	22	(808)
Carrying amount of non-current assets sold	7	1,936	853
Adjustments for effective interest rates		(7)	(7)
<b>Other non-cash items</b>		<b>31,246</b>	<b>(31,065)</b>

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

	2018/19 £'000	2019/20 £'000
Capital grants credited to surplus or deficit on the provision of services	(8,496)	(10,027)
Proceeds from the sale of short and long term investments	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,463)	(481)
	<b>(9,959)</b>	<b>(10,508)</b>

**Note 27 – Cash Flow Statement – Investing Activities**

	2018/19 £'000	2019/20 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(22,610)	(20,471)
Purchase of short and long term investments	(5,000)	(2,000)
Proceeds from the sale of property, plant and equipment, Investment property and intangible assets	1,463	481
Proceeds from short-term and long-term investments	10,001	5,000
Other receipts from investing activities	7,970	10,015
<b>Net cash flows from investing activities</b>	<b>(8,176)</b>	<b>(6,975)</b>

**Note 28 – Cash Flow Statement – Financing Activities**

	2018/19 £'000	2019/20 £'000
Cash receipts of short and long-term borrowing	80	5,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(968)	(1,226)
Repayments of short and long-term borrowing	(5,064)	(98)
Other Receipts from Financing Activities	-	3
<b>Net cash from financing activities</b>	<b>5,952</b>	<b>3,679</b>

**Note 29 - Agency Income and Expenditure**

The Council has an agency agreement with Scottish Water for the billing and collection of water and sewerage charges on its behalf. The income received from the Water Authority towards the Council's local tax collection costs was £0.177m (2018/19: £0.177m). This charge has been fixed by the Scottish Government for a 4 year period to 31 March 2020. This income is included in the Comprehensive Income and Expenditure Statement.

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**Note 30 – External Audit Costs**

Fees payable to Audit Scotland within the year for external audit services carried out by the appointed auditor amounted to £0.202m (2018/19: £0.198m). These costs are shown within the Partnership and Performance line in the Comprehensive Income and Expenditure Statement.

**Note 31 – Related Parties**

The Council is required to disclose material transactions with related parties – bodies or individuals that have potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. In this context related parties include:

- Central Government;
- Other Local Authorities and Joint Boards;
- NHS Bodies;
- Subsidiary and Associated Companies;
- Joint Ventures and Joint Venture Partners; and
- Elected Members and Chief Officers.

The following related party transactions in 2019/20 are disclosed elsewhere within the Financial Statements:

- a) Receipts from Central Government (Revenue Support Grant, NNDR Contribution from Pool, Government Grants etc.) are shown in Note 10 (Grant Income);
- b) Payments to the Falkirk Council Pension Fund and Scottish Government (Teachers' Pensions) are shown in Notes 35 and 36 (Pension Schemes);
- c) Requisitions paid to Joint Boards are shown on the Comprehensive Income and Expenditure Statement;
- d) Payments to Elected Members and Chief Officers are shown in the Remuneration Report;
- e) Lease payments and receipts from Clackmannanshire Regeneration LLP are shown in Note 33;
- f) Short-Term Debtors balances in respect of Central Government, other Local Authorities and NHS Bodies are shown in Note 18; and
- g) Short-Term Creditors balances in respect of Central Government, other Local Authorities and NHS Bodies are shown in Note 20

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

		<b>2018/19</b>	<b>2019/20</b>
		<b>£'000</b>	<b>£'000</b>
Expenditure	NHS Forth Valley	381	1,572
Income	NHS Forth Valley	(7,721)	(7,371)
Contribution payment made to Clackmannanshire and Stirling Integration Joint Board*		16,654	17,323*

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Commissioning income received from Clackmannanshire and Stirling Integration Joint Board*	(17,136)	(17,323)
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*\*After total risk sharing year end adjustment of £0.957m (25% Clackmannanshire Council)  
Agreed Budget Contribution £17.084m plus additional contribution of £0.239m = £17.323m*

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**Note 32 – Capital Expenditure and Capital Financing**

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

	<b>2018/19</b> <b>£'000</b>	<b>2019/20</b> <b>£'000</b>
<b>Opening Capital Financing Requirement</b>	144,788	144,980
<b>Capital Investment</b>		
Property Plant & Equipment	22,630	20,647
Intangible Assets	74	21
Investment Properties	10	-
Asset Held for Sale	5	-
Revenue Expenditure Funded from Capital Under Statute	36	40
<b>Sources of finance</b>		
Capital receipts	(36)	(16)
Government grants and other contributions	(9,405)	(10,310)
Sums set aside from revenue:		
Direct revenue contributions	(4,675)	(6,176)
Repayment of Finance Lease Capital Debt	(968)	(1,226)
Loans Fund Principal	(7,479)	(3,405)
Other movements affecting the CFR	-	-
<b>Closing Capital Financing Requirement</b>	<b>144,980</b>	<b>144,555</b>
Increase/(decrease) in CFR (unsupported by government financial assistance)	192	(425)

**Note 33 Leases**

**Council as Lessee**

**Finance Leases**

The Council has acquired some of its street lighting Infrastructure under finance leases. These assets are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	<b>2018/19</b> <b>£'000</b>	<b>2019/20</b> <b>£'000</b>
Infrastructure Assets	<b>187</b>	<b>93</b>



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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:

	2018/19 £'000	2019/20 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	81	87
Non-current	87	-
Finance costs payable in future years	19	6
<b>Minimum lease payments</b>	<b>187</b>	<b>93</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
No later than one year	13	6	81	87
Later than one year not later than five years	6	-	87	-
	<b>19</b>	<b>6</b>	<b>168</b>	<b>87</b>

### Operating Leases

The Council has entered into a sub-lease with Clackmannanshire Regeneration LLP under the terms of the Business Premises Renovation Allowance (BPRA) scheme for the development of its new Council Offices. The lease is in place throughout the construction phase and a further period of 7 years. The lease ends when the refurbished building is handed back to the Council from the LLP under the landlord tenant relationship.

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The future minimum lease payments due are:

	2018/19 £'000	2019/20 £'000
Not later than one year	184	92
Later than one year and not later than five years	92	-
	<b>276</b>	<b>92</b>

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

	2018/19 £'000	2019/20 £'000
Minimum lease payments	<b>184</b>	<b>184</b>

## Council as Lessor

### Operating Leases

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

The lease reflects a rent of £1 per annum.

## Note 34 – Private Finance Initiative and Similar Contracts

### Secondary Schools PFI Scheme

2019/20 was the 12th year of a 30 year PFI contract for the construction, operation and maintenance of our three secondary schools in Clackmannanshire, namely Alloa, Alva and Lornhill 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.

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**Property, Plant and Equipment**

The schools are recognised on the Council's Balance Sheet.

Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 11.

**Payments**

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2020, excluding any estimate of availability/performance deductions are as follows:

	<b>Payment For Services £'000</b>	<b>Reimbursement of Capital Expenditure £'000</b>	<b>Interest £'000</b>	<b>Total £'000</b>
Payable within 1 year	3,786	1,216	3,286	8,288
Payable within 2 to 5 years	16,438	5,488	12,813	34,739
Payable within 6 to 10 years	25,064	7,968	14,276	47,308
Payable within 11 to 15 years	25,569	12,937	13,645	52,151
Payable within 16 to 20 years	26,705	11,452	6,539	44,696
<b>Total</b>	<b>97,562</b>	<b>39,061</b>	<b>50,559</b>	<b>187,182</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for:

- the fair value of services they provide, and
- the capital expenditure incurred and interest payable, until the capital cost is reimbursed.

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

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Balance outstanding at start of year	<b>41,100</b>	<b>40,207</b>
Payments during the year	<b>(893)</b>	<b>(1,146)</b>
<b>Balance outstanding at year-end</b>	<b>40,207</b>	<b>39,061</b>

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**Note 35 - Pensions Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of these Financial Statements, it is therefore accounted for on the same basis as a defined contribution scheme.

The employer contribution rate from 1 April 2019 was 17.2% of pensionable pay. This increased to 23.00% from September 2019. Prior to this change the rate had remained the same since 1 September 2015. In total for the year 2019/20 the Council paid £4.800m to Teacher's Pensions in respect of teachers' retirement benefits. The comparative amount paid in 2018/19 was £3.516m which equates to 17.14% of pensionable pay.

As a proportion of the total contributions into the Teacher's Pension Scheme during the year ended 31 March 2019, the Council's own contribution equated to approximately 0.801% (0.728% 2018/19).

**Notes 36 Defined Benefit Pension Schemes**

**Pension Costs**

The Council participates in two formal pension schemes: the Local Government Pension Scheme (LGPS) administered by Falkirk Council and the Teachers' Scheme administered by the Scottish Government. Both schemes provide defined benefits to members. However, the liabilities for the Teachers' Scheme cannot be identified specifically to the Council; therefore the scheme is accounted for, as if it were a defined contributions scheme. The Council does not recognise assets or liabilities related to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Scottish Government.

**Local Government Pension Scheme (LGPS)**

In accordance with International Accounting Standard 19 (IAS19) the Council is required to account for retirement benefits when it is committed to giving them, even if the giving will be many years into the future. This involves the recognition in the Balance Sheet of Clackmannanshire Council's share of the net pension asset or liability in the LGPS together with a pension reserve. The Comprehensive Income and Expenditure Statement (CIES) also recognises changes during the year in the pension asset or liability. Service expenditure includes pension costs based on employers' pension contributions payable to the LGPS and payments to pensioners in the year.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of voluntary severance. Any liabilities estimated to arise as a result of an award to any member of staff (including Teachers) are accrued in the year of the decision to make the award, and accounted for using the same policies as applied to the LGPS.

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**The following elements of pension costs are charged to the CIES:**

- Current Service Cost - the increase in the present value of liabilities expected to arise from employee service in the current period;
- Past Service Costs - the increase in liabilities arising from decisions to improve retirement benefits in the current period but which are related to employee service in prior periods;
- Settlements - events that change the pension liabilities but are not covered by the actuarial assumptions;
- Interest Expense - the expected increase during the year in the present value of liabilities because the benefits are one year closer to settlement; and
- Expected Return on Assets (including interest income) - a measure of the expected average rate of return on the investment assets held by the scheme in the year.

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

	<b>Local Government Pension Scheme</b>	
	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
<b>Cost of Services:</b>		
· Current service cost	14,170	16,476
· Past service costs	3,765	602
<b>Financing and Investment Income and Expenditure:</b>		
· Interest expense – defined benefit obligation	10,837	10,909
· Interest income on scheme assets	(8,156)	(7,923)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>20,616</b>	<b>20,064</b>
<b>Other Post Employment Benefit Charged to the CIES</b>		
Re-measurement of the net defined benefit liability comprising:		
· Return on pension fund assets (excluding interest income above)	(17,654)	29,975
· Actuarial (gains)/losses arising on changes in demographic assumptions	-	(15,465)
· Actuarial (gains)/losses arising on changes in financial assumptions	32,310	(43,905)
· Other experience (gains)/losses	430	(3,532)
<b>(Gain)/ loss recognised in the CIES</b>	<b>15,086</b>	<b>(32,927)</b>
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>35,702</b>	<b>(12,863)</b>
<b>Movement in Reserves Statement (MIRS)</b>		
Reversal of net charge made to the surplus or deficit on the provision of Services	(20,616)	(20,064)
<b>Employer's Contributions Payable to Falkirk Pension Fund</b>	10,201	10,248
<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>	<b>(10,415)</b>	<b>(9,816)</b>

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**Pension Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the balance sheet arising from the local authority's obligation in respect of its defined benefit plan is as follows:

<b>Movement in Reserves Statement (MIRS)</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Present value of the Pension Fund Liabilities (1)	(450,159)	(406,985)
Fair value of pension fund assets	329,136	309,073
<b>Net Liability arising from Defined Benefit Obligation</b>	<b>(121,023)</b>	<b>(97,912)</b>
(1) Unfunded liabilities included in the figure for Present value of liabilities is:	<b>18,398</b>	<b>16,121</b>

A reconciliation of Clackmannanshire Council's share of the present value of Falkirk Pension Fund's defined benefit obligation (liabilities) is as follows:

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Balance at 1 April</b>	<b>(396,752)</b>	<b>(450,159)</b>
Current service cost	(14,170)	(16,476)
Interest cost	(10,837)	(10,909)
Contributions by Pension Fund participants	(2,244)	(2,289)
<b>Re-measurement gains/(losses)</b>		
Actuarial gains/losses from change in demographic assumptions	-	15,465
Actuarial gains/(losses) from change in financial assumptions	(32,310)	43,905
Actuarial gains/(losses) from other experiences	(430)	3,532
Past service costs	(3,765)	(602)
Benefits paid	10,349	10,548
<b>Closing value at 31 March</b>	<b>(450,159)</b>	<b>(406,985)</b>

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

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening fair value of pension fund assets</b>	<b>301,230</b>	<b>329,136</b>
Interest income	8,156	7,923
Return on pension assets (excluding amounts included in net interest)	17,654	(29,975)
Contributions from employers	10,201	10,248
Contributions by employees in the scheme	2,244	2,289
Benefits paid	(10,349)	(10,548)
<b>Closing fair value of pension fund assets</b>	<b>329,136</b>	<b>309,073</b>

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

	2018/19 £'000	2019/20 £'000
<b>Equity instruments (by industry type)</b>		
- Consumer	26,263	20,077
- Manufacturing	19,923	18,329
- Energy & Utilities	12,410	12,252
- Financial institutions	24,539	22,948
- Health & Care	10,896	10,778
- Information & Technology	29,145	24,754
- Other	116	1,099
Sub Total Equity	<b>123,292</b>	<b>110,237</b>
<b>Debt Securities</b>		
- Corporate Bond (investment grade)	-	4,917
	-	-
<b>Property (by type)</b>		
- UK	19,370	18,974
- Overseas	2,875	78
Sub Total Property	<b>22,245</b>	<b>19,052</b>
<b>Private Equity</b>		
- UK	8,558	6,916
Sub Total Private Equity	<b>8,558</b>	<b>6,916</b>
<b>Other Investment funds</b>		
- Equities	68,958	62,912
- Bonds	24,559	16,164
- Infrastructure	27,460	35,201
- Other	33,814	35,412
Sub Total Other Investment Funds	<b>154,791</b>	<b>149,689</b>
<b>Cash and cash equivalents</b>	20,250	18,262
<b>Total Assets</b>	<b>329,136</b>	<b>309,073</b>

**Basis for Estimating Assets and Liabilities**

The Council's share of the net obligations of the Falkirk Pension Fund is an estimated figure based on actuarial assumptions about the future and is a snapshot at the end of the financial year. The net obligation has been assessed using the "projected unit method", that estimates that the pensions will be payable in future years dependant upon assumptions about mortality rates, salary levels and employee turnover rates.

The fund's obligation has been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the fund at 31 March 2017. The significant assumptions used by the actuary are shown in the table below. The note includes a sensitivity analysis for the pension obligation based on reasonably possible changes in these assumptions occurring at the reporting date.

	2018/19	2019/20
<b>Long-term expected rate of return on assets in the fund</b>		
Equity investments	2.4%	2.3%
Bonds	2.4%	2.3%
Property	2.4%	2.3%
Cash	2.4%	2.3%



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**Mortality assumptions**

	2018/19 Years	2019/20 Years
Longevity at 65 for current pensioners (years):		
Men	21.2	20.5
Women	23.7	22.8
Longevity at 65 for future pensioners (years):		
Men	22.7	21.7
Women	25.5	24.3

**Inflation assumptions**

	2018/19	2019/20
Rate of inflation	2.5%	1.9%
Rate of increase in salaries	3.0%	2.3%
Rate of increase in pensions	2.5%	1.9%
Rate for discounting Fund liabilities	2.4%	2.3%

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

**Changes in assumptions**

	Increase to Employer %	Monetary Amount £'000's
0.5% Decrease in Real Discount Rate	10.0%	40,611
0.5% increase in the Salary Increase Rate	2.0%	6,910
0.5% increase in the Pension Increase Rate	8.0%	33,147

**McCloud Ruling**

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

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



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

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

The Fund's actuary has adjusted GAD's estimate to better reflect the Falkirk Council Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The estimate as it applies to Clackmannanshire Council and is included in the balance sheet is £1.7m that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.4% higher as at 31 March 2019. In 2020 the actuaries have undertaken a review, which suggest the liability may not be as high however this adjustment is not material and therefore not reflected in the accounts.

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

### **Guaranteed Minimum Pension (GMP)**

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

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

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

The estimate as it applies to Clackmannanshire Council is that total liabilities could be 0.23% higher as at 31 March 2019, an increase of approximately £0.986m, this is reflected in the Council's accounts, and remains the same for 2019/20.

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

**Impact on the Authority's Cash Flow**

The objectives of the LGPS are to keep employers' contributions at a constant rate where possible. The next triennial valuation as at 30<sup>th</sup> March 2020 is currently underway, and the results are expected to be available towards the end of 2020, where the future contribution rates will be set.

Contribution rates have been set at:

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

The total contributions expected to be made by Clackmannanshire Council to Falkirk Pension Fund in the year to 31 March 2021 is £8.557m.

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**Note 37 – Contingent Liabilities**

**Equal Pay**

The Council has received claims of historic pay inequality from specific groups of staff, particularly in catering, cleaning and homecare, supervisory assistants and classroom assistants. Note 21 included details of the provision in respect of those groups of employees identified so far for which settlement claims may be submitted. There remains a potential for new claims of an unknown amount and timing which is presented by this contingent liability.

**Insurance**

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

**Historic Sexual Abuse Cases**

The Council has received claims in relation to historic sexual abuse cases. It is anticipated that there may be more claims received in the future, particularly in light of the important work of the National Scottish Child Abuse Inquiry and media coverage of other claims. These claims can not be predicted or quantified at this time, but remain a potential risk as a future liability. The Council is part of the Forth Valley working group coordinated by SOLACE which is assessing the National Redress Scheme for the impact and consequences for the Council. This work is at an early stage.

**Note 38 – Nature and Extent of Risks Arising from Financial Instruments**

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

**1. Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor Credit Ratings Services. The

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Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied. Details of the Investment Strategy can be found on the Council's website. The Treasury Management Strategy Statement for 2019/20 and Prudential Indicators for 2019/20 to 2023/24 were approved by Full Council on 6 March 2019 and are available on the Council's website.

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

The Authority's maximum exposure to credit risk, in relation to its investments in banks and building societies of £18.7m, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2020 that this was likely to crystallise. No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

#### **Debtors**

The Council generally allows credit of 14 days for customers, such that £2.756m, (2018/19 £2.528m) is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>2018/19</b> <b>£'000</b>	<b>2019/20</b> <b>£'000</b>
Less than three months	939	819
Three to six months	81	153
Six months to one year	181	328
More than one year	1,328	1,456
<b>Total</b>	<b>2,529</b>	<b>2,756</b>

During the year £0.077m was released to the Comprehensive Income and Expenditure statement, decreasing the provision against current debts to £0.924m.

#### **2. Liquidity Risk**

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

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

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

<b>Loans Outstanding</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Public Works Loans Board	72,513	77,511
LOBO Loan	5,000	5,000
Market Debt	19,362	19,292
Other Short Term Borrowings	-	-
<b>Total</b>	<b>96,875</b>	<b>101,803</b>

<b>Maturity Structure</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Less than 1 year	63	475
Between 1 and 2 years	475	63
Between 2 and 5 years	3,546	3,957
Between 5 and 10 years	5,295	5,321
More than 10 years	87,496	91,987
<b>Total</b>	<b>96,875</b>	<b>101,803</b>

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

### **3. Market Risk**

#### **Interest rate risk**

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

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

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement;
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement;
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact the Balance Sheet as assets are held at amortised cost, but will impact the disclosure note for fair value; and
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities are held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is reduced by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs. However this is difficult to quantify as loan charge support is calculated on weighted average interest rates for all local authorities in Scotland.

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

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

**Price Risk**

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

**Foreign Exchange Risk**

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

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**Note 39 – Trust Funds**

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

	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>The Council administers the funds for 61 (2018/19 61) Trusts:</b>		
Value of other Charitable Trusts and Endowments	357	357
<b>Total value of all Trusts and Endowments</b>	<b>357</b>	<b>357</b>

**Note 40 – Prior Period Adjustments**

The following prior period adjustments have been included in the opening balances for 2019/20 and the comparatives for 2018/19:

- Upward valuation of £502k of Investment Property
- Deficit of £506k on the revaluation of non current assets
- Investment of £4,906k Clackmannanshire Regeneration LLP included in Long-Term Investment (previously included in Short-Term Investments)

The adjustments were necessary to ensure the Financial Statements reflect the Councils' asset register (in the case of the revaluations) and the correct presentation of financial information.

The changes to the Financial Statements are outlined below. There is no impact on the General Fund Reserve.

<b>Comprehensive Income and Expenditure Statement for the year ended 31st March 2019</b>	<b>Note</b>	<b>Adjustment</b>
		<b>£'000</b>
Financing and Investment Income and Expenditure	9	(503)
(Surplus) or Deficit on revaluation of non-current assets	25	506
<b>Balance sheet as at 31st March 2019</b>		
	<b>Note</b>	<b>£'000</b>
Investment Properties	13	(3)
Long-Term Investments	15	4,907
Short-Term Investments	19	(4,907)
Unusable Reserves		
Revaluation Reserve	25a)	506
Capital Adjustment Account	25b)	(503)

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As a result of the above adjustments the comparator figures for 2018/19 were restated in the Movement in Reserves Statement, Notes 6, 7, 9, 13, 15, 19, 25 and the Group Financial Statements.



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**HOUSING REVENUE ACCOUNT (HRA)**  
**Income and Expenditure Statement for the year ended 31 March 2020**

The HRA Income and Expenditure Statement shows the economic cost in the year providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting costs.

The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

<b>2018/19</b>		<b>2019/20</b>
<b>£'000</b>		<b>£'000</b>
	<b>Expenditure</b>	
5,780	Repairs and maintenance	6,337
4,200	Supervision and management	4,553
7,819	Depreciation and impairment of non-current assets	9,002
308	Impairment of debtors	515
604	Other Expenditure	378
<b>18,711</b>	<b>Total Expenditure</b>	<b>20,785</b>
	<b>Income</b>	
(19,078)	Dwelling Rents	(19,598)
(66)	Non-dwelling rents	(72)
<b>(19,144)</b>	<b>Total income</b>	<b>(19,670)</b>
<b>(433)</b>	<b>Net Cost of HRA Services</b>	<b>1,115</b>
211	(Gain)/Loss on sale of HRA non-current assets	614
1,277	Interest payable and similar charges	1,257
(38)	Interest and investment income	(55)
275	Pensions interest cost and expected return on pension assets	350
-	Charge to CIES for Movement in Investment Property on revaluation	48
(578)	Capital grants and contributions receivable	(356)
<b>1,147</b>		<b>1,858</b>
<b>714</b>	<b>Deficit/(Surplus) for the year on HRA Services</b>	<b>2,973</b>

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

2018/19		2019/20
£'000		£'000
(2,559)	<b>Balance on the HRA at the end of the previous year</b>	<b>(3,722)</b>
	Deficit/(Surplus) for the year on the HRA Income and	
714	Expenditure Statement	2,973
(2,241)	Adjustments between accounting basis and funding basis under	(3,894)
	regulations (Note HRA 1)	
364	Transfers to/from Reserves	140
(1,163)	(Increase)/Decrease in the year on HRA	(781)
<b>(3,722)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(4,503)</b>

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

2018/19		2019/20
£'000		£'000
(211)	Gain/(Loss) on sale and disposal of HRA non-current assets	(614)
4,596	Capital expenditure funded by the HRA (CFCR)	6,176
578	Capital Grants contributions that have been applied to capital	356
	financing	
	Transfer to/from the Capital Adjustment Account:	
(7,819)	- Depreciation and Impairment	(9,002)
-	- Movements in the Fair Value of Investment Assets	(48)
1,517	- Repayment of Debt	610
(929)	HRA share of contributions to/from the Pension Reserve	(1,313)
	Amount by which officer remuneration charged to the HRA	
27	Income and Expenditure Statement on an accruals basis is	(59)
	different from remuneration chargeable in the year in accordance	
	with statutory requirements	
<b>(2,241)</b>		<b>(3,894)</b>

**HRA 2. Housing Stock**

The Council's housing stock at 31 March 2020 was 4,965 (31 March 2019 4,963) in the following categories:

2018/19		2019/20
Number		Number
31	One apartment	30
1,367	Two apartment	1,362
2,206	Three apartment	2,208
1,216	Four apartment	1,221
139	Five apartment	140
4	Six apartment	4
<b>4,963</b>		<b>4,965</b>

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**HOUSING REVENUE ACCOUNT (HRA)**

**HRA 3. Rent Arrears**

Rent Arrears increased during the year by £0.271m to a total of £2.074m (2018/19 £1.803m). As a percentage of gross rental income, the arrears represent 10.7% (2018/19 9.4%) which is equivalent to £418 (2018/19 £364) per house.

**HRA 4. Impairment of Debtors**

In 2019/20 an impairment of £1.938m (2018/19 £1.593m) has been provided in the Balance Sheet for irrecoverable rents, an increase of £0.345m on the provision in 2018/19.

**HRA 5. Rent Lost Due To Empty Properties**

Rent lost due to empty properties during the year was £0.350m (2018/19 £0.455m) this is included within the other expenditure figures in the Income and Expenditure Statement.

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*Council Tax Income Account for the year ended 31 March 2020*

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.

<b>2018/19</b>		<b>2019/20</b>
<b>£'000</b>		<b>£'000</b>
(29,050)	<b>Gross Council Tax levied and contributions in lieu</b>	(30,458)
	<b>Deduct</b>	
3,465	Other discounts and reductions	3,665
805	Write-off of uncollectable debts and allowance for impairment	468
50	Adjustments to previous years Council Tax	19
3,417	Council Tax Reduction Scheme	3,502
<b>(21,313)</b>	<b>Net Council Tax Income transferred to General Fund</b>	<b>(22,804)</b>

**CTI 1. Council Tax Properties and Council Tax Changes**

Occupiers of domestic properties are liable to pay Council Tax. This is a tax levied by local authorities on domestic properties within their area.

Dwellings fall within a valuation band which is determined by the Assessor employed by the Central Scotland Valuation Board. In setting its budget the Council determines the Council Tax level each year. Charges for other bands are proportionate to the Band 'D' figure, which for 2019/20 was £1,276.25 (2018/19 £1,217.91). This was a 4.79% increase from the previous year.

<b>Valuation Band</b>	<b>Council Tax Charge</b>
	<b>£</b>
A	850.83
B	992.64
C	1,134.44
D	1,276.25
E	1,676.85
F	2,073.90
G	2,499.32
H	3,126.81

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**Council Tax Income Account for the year ended 31 March 2020**

**CTI.2 Calculation of the Council Tax Charge Base 2019/20**

**number of dwellings (properties)**

	<b>A</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>Total</b>
	<b>(Disabled) Relief)</b>									
Total number of dwellings	-	6,313	7,334	2,117	2,678	3,226	1,997	897	54	<b>24,716</b>
Less exempt dwellings	-	(301)	(232)	(79)	(45)	(57)	(28)	(10)	(6)	<b>(758)</b>
Dwellings subject to disabled reduction	-	(25)	(37)	(22)	(18)	(50)	(19)	(6)	(2)	<b>(179)</b>
Dwellings subject to tax at this band due to disabled relief	25	37	22	18	50	19	6	2	-	<b>179</b>
Less adjustments for single discounts	(3)	(893)	(788)	(217)	(206)	(191)	(71)	(33)	(1)	<b>(2,402)</b>
Less adjustments for double discounts	-	(34)	(25)	(16)	(11)	(7)	(5)	(3)	-	<b>(102)</b>
Less adjustments for disregarded adults	-	(2)	(2)	-	-	-	-	-	-	<b>(4)</b>
	<b>22</b>	<b>5,095</b>	<b>6,272</b>	<b>1,801</b>	<b>2,448</b>	<b>3,040</b>	<b>1,880</b>	<b>847</b>	<b>45</b>	<b>21,450</b>
Effective number of dwellings after discounts, exemptions and reliefs										
Band D equivalent factor (ratio)	5/9	6/9	7/9	8/9	9/9	(585/360)	(473/360)	(705/360)	(882/360)	
Band D equivalent properties Number of Dwellings	12	3,397	4,878	1,601	2,448	3,994	3,055	1,659	110	<b>21,154</b>
Less provision for non-collection @ 2.5%										<b>(529)</b>
<b>Council Tax Base 2019/20</b>										<b>20,625</b>

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**ANNUAL ACCOUNTS 2019/20**

*Non Domestic Rates Income Account for the year ended 31 March 2020*

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The Statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

<b>2018/19</b> <b>£'000</b>		<b>2019/20</b> <b>£'000</b>
<b>(21,103)</b>	<b>Gross rates levied and contributions in lieu</b>	<b>(21,539)</b>
4,131	Reliefs and other deductions	4,538
(144)	Allowance for impairment of debts and appeals	786
<b>(17,116)</b>	<b>Net Non-Domestic Rate Income</b>	<b>(16,215)</b>
390	Adjustment to previous years' national non-domestic rates	599
(37)	Discretionary Reliefs charged to the General Fund	(45)
<b>(16,763)</b>	<b>Total Non-Domestic Rates Income/Income for Contribution to Non-Domestic Rate Pool</b>	<b>(15,661)</b>
<b>2018/19</b> <b>£'000</b>		<b>2019/20</b> <b>£'000</b>
16,763	Contribution to National Non-Domestic Rate Pool	15,661
(15,326)	Distribution from National Non-Domestic Rate Pool	(17,315)
1,437	(Gain)/Loss from National Pool	(1,654)
<b>(15,326)</b>	<b>Net NNDR Income per the Comprehensive Income and Expenditure Statement (Note 10)</b>	<b>(17,315)</b>

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

## **NDR 1. Net Rateable Value Calculation**

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per pound of £0.490 which is determined each year by the Scottish Government.

## **NDR 2. Rate Poundages Levied**

	<b>2018/19</b>	<b>2019/20</b>
National Non-Domestic Rate	48.0p	49.0p
Large Property Supplement – properties valued > £51,000	2.6p	2.6p

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2019/20**

*Non Domestic Rates Income Account for the year ended 31 March 2020*

**NDR 3. Analysis of Rateable Values as at 1 April 2019**

	<b>Number of Premises</b>	<b>Rateable Value £'000</b>
Type of Subject		
Commercial	900	15,259
Industrial	299	16,818
Miscellaneous	446	10,397
<b>Total</b>	<b>1,645</b>	<b>42,474</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2019/20**  
*Common Good*

**Summary**

Common Good Funds are the assets and income of the former burghs of Scotland and stand separate from other accounts and funds of the Council. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. The assets incorporated within the Common Good Account comprise the Speirs Centre, Alloa Town Hall and West End Park all within the former burgh of Alloa. There are also currently £9k principal funds held within the Common Good Accounts.

***Common Good Comprehensive Income and Expenditure Statement***  
***For the year ended 31 March 2020***

2018/19 £'000		2019/20 £'000	2019/20 £'000
	<b>Income</b>		
(287)	Charges for use of premises	(264)	
<b>(287)</b>			<b>(264)</b>
	<b>Expenditure</b>		
75	Property Maintenance	28	
52	Utilities	71	
94	Rates	99	
44	Cleaning, land services and refuse collection	46	
22	Insurance	20	
-	Furniture	-	
180	Depreciation, Impairment and Revaluations	(384)	
<b>467</b>			<b>(120)</b>
<b>180</b>	<b>Cost of Services</b>		<b>(384)</b>
(19)	Taxation and Non-Specific Grant Income		0
<b>161</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>(384)</b>
-	Surplus on revaluation of non-current assets charged to the revaluation reserve		(1,290)
<b>161</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>(1,674)</b>



# CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2019/20

## Common Good Balance Sheet As at 31 March 2020

2018/19 £'000		2019/20 £'000
	<b>Long-Term Assets</b>	
3,865	Property, Plant and Equipment	5,539
	<b>Current Assets</b>	
9	Short-Term Investments	9
<b>3,874</b>	<b>Net Assets</b>	<b>5,548</b>
(9)	Usable Reserves	(9)
(248)	Revaluation Reserve	(1,701)
(3,617)	Capital Adjustment Account	(3,838)
<b>(3,874)</b>	<b>Total Reserves</b>	<b>(5,548)</b>

## Common Good Movement on Reserves Statement As at 31 March 2020

	Notes	Usable Reserves £'000	Unusable reserves £'000	Total reserves £'000
<b>2019/20</b>				
<b>Balance at 1 April 2019</b>		(9)	(3,865)	(3,874)
Movement in reserves during 2019/20				
Total comprehensive income and expenditure		(384)	(1,290)	(1,674)
Adjustment between accounting basis and funding		384	(384)	-
Increase or (decrease) in 2019/20		-	(1,674)	(1,674)
<b>Balance at 31 March 2020</b>		<b>(9)</b>	<b>(5,539)</b>	<b>(5,548)</b>

	Notes	Usable Reserves £'000	Unusable reserves £'000	Total reserves £'000
<b>2018/19</b>				
<b>Balance at 1 April 2018</b>		(9)	(4,026)	(4,035)
Movement in reserves during 2018/19				
Total comprehensive income and expenditure		161	-	161
Adjustment between accounting basis and funding	1	(161)	161	-
Increase or (decrease) in 2018/19		-	161	161
<b>Balance at 31 March 2019</b>		<b>(9)</b>	<b>(3,865)</b>	<b>(3,874)</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2019/20**  
*Notes to the Common Good Account*

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

<b>2019/20</b>	<b>Common Good Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reversal of Items debited or credited to the Comprehensive Income and expenditure statement</b>		
Charges for Depreciation and Revaluation of Non-Current assets	384	(384)
Capital Grants and Contributions Applied	-	-
	<b>384</b>	<b>(384)</b>
<b>2018/19</b>	<b>Common Good Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reversal of Items debited or credited to the Comprehensive Income and expenditure statement</b>		
Charges for Depreciation and Impairment of Non-Current assets	(180)	180
Capital Grants and Contributions Applied	19	(19)
	<b>(161)</b>	<b>161</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2019/20**  
**Group Financial Statements**

The Council has interests in its subsidiary, associates and joint ventures. It participates in these companies by means of Board membership and the provision of funding and management support. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, Group Accounts have been prepared in addition to single entity financial statements.

The following entities have been consolidated into the Group Financial Statements:

**Subsidiary:**

- Common Good

**Joint Ventures:**

- Clackmannanshire and Stirling Integration Joint Board
- CSBP Clackmannanshire Investments Limited

**Associates:**

- Central Scotland Valuation Joint Board
- Coalsnaughton NHT 2012 LLP

Information on how the Council participates in these companies is given in Note 7 to the Groups Financial Statements.

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2019/20**  
**Group Financial Statements**

**Group Comprehensive Income & Expenditure Statement**

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

**2018/19 Restated**

<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure /(Income)</b>		<b>Gross Expenditure</b>	<b>2019/20 Gross Income</b>	<b>Net Expenditure /(Income)</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
72,198	(4,922)	67,276	People	87,503	(6,231)	81,272
30,768	(19,714)	11,054	Partnership & Performance	27,447	(21,055)	6,392
27,952	(8,370)	19,582	Place	33,811	(9,582)	24,229
18,713	(19,144)	(431)	Housing Revenue Account	20,830	(19,715)	1,115
2,220	-	2,220	Corporate Services	1,659	-	1,659
45,471	(28,634)	16,837	Clackmannanshire & Stirling IJB	47,996	(30,676)	17,320
381	-	381	Central Scotland Valuation Joint Board	395	-	395
423	(287)	136	Common Good	(166)	(264)	(430)
<b>198,170</b>	<b>(81,115)</b>	<b>117,055</b>	<b>Group Cost of Services</b>	<b>219,475</b>	<b>(87,523)</b>	<b>131,952</b>
473	-	473	Other Operating Expenditure	371	-	371
11,108	(779)	10,329	Financing & Investment Income & Expenditure	9,007	(1,036)	7,971
-	<b>(122,707)</b>	<b>(122,707)</b>	Taxation & Non-Specific Grant Income	-	(128,183)	(128,183)
<b>209,862</b>	<b>(204,557)</b>	<b>5,305</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>228,853</b>	<b>-216,742</b>	<b>12,111</b>
		207	Share of (surplus) or deficit on provision of services by associates & joint ventures			144
		<b>5,338</b>	<b>Group (Surplus)/Deficit</b>			<b>12,255</b>
		<b>2</b>	(Surplus) or deficit on revaluation of non-current assets including share of subsidiary			<b>(59,918)</b>
		<b>1,947</b>	Impairment (gain)/ loss on non-current asset to the revaluation reserve			<b>34,990</b>
		<b>15,086</b>	Remeasurement of the net defined benefit liability / (asset)			<b>(32,927)</b>
		<b>103</b>	Share of other comprehensive (income) & expenditure of associates & joint ventures			<b>(97)</b>
		<b>17,138</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(57,952)</b>
		<b>22,005</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(45,697)</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2019/20**  
**Group Financial Statements**  
**Group Movement in Reserves Statement**  
**For the Year Ended 31 March 2020**

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

	Usable Reserves			Unusable Reserves			Total Group Reserves
	Council	Council's share of subsidiary, associates & joint ventures	Group Total	Council	Council's share of subsidiary, associates & joint ventures	Group Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2019/20</b>							
<b>Balance at 1 April 2019</b>	<b>(20,014)</b>	<b>(1,135)</b>	<b>(21,149)</b>	<b>(98,265)</b>	<b>(2,806)</b>	<b>(101,071)</b>	<b>(122,220)</b>
Movement in Reserves during 2019/20							
Total comprehensive income & expenditure	12,495	(97)	12,398	(56,565)	(1,537)	(58,102)	(45,704)
Adjustments between accounting basis & funding basis under statutory provisions	(14,891)	325	(14,566)	14,891	(325)	14,566	0
<b>Net increase/ decrease before transfers</b>	<b>(2,396)</b>	<b>228</b>	<b>(2,168)</b>	<b>(41,674)</b>	<b>(1,862)</b>	<b>(43,536)</b>	<b>(45,704)</b>
Transfers to/from Earmarked Reserves	0	0	0	0	0	0	0
<b>Increase or (decrease) for the year</b>	<b>(2,396)</b>	<b>228</b>	<b>(2,168)</b>	<b>(41,674)</b>	<b>(1,862)</b>	<b>(43,536)</b>	<b>(45,704)</b>
<b>Balance at 31 March 2020</b>	<b>(22,410)</b>	<b>(907)</b>	<b>(23,317)</b>	<b>(139,939)</b>	<b>(4,668)</b>	<b>(144,607)</b>	<b>(167,924)</b>
<b>2018/19 Restated</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2018</b>	<b>(20,003)</b>	<b>(1,266)</b>	<b>(21,269)</b>	<b>(120,281)</b>	<b>(3,147)</b>	<b>(123,428)</b>	<b>(144,697)</b>
<b>Movement in Reserves during 2018/19</b>							
Total comprehensive income & expenditure	4,970	368	5,338	17,035	103	17,138	22,476
Adjustments between accounting basis & funding basis under statutory provisions	(5,017)	(237)	(5,254)	5,017	237	5,254	0
<b>Net increase/ decrease before transfers</b>	<b>(47)</b>	<b>132</b>	<b>85</b>	<b>22,052</b>	<b>340</b>	<b>22,392</b>	<b>22,476</b>
Transfers to/from Earmarked Reserves	36	0	36	(36)	0	(36)	0
<b>Increase or (decrease) for the year</b>	<b>(11)</b>	<b>132</b>	<b>121</b>	<b>22,016</b>	<b>340</b>	<b>22,356</b>	<b>22,476</b>
<b>Balance at 31 March 2019</b>	<b>(20,014)</b>	<b>(1,135)</b>	<b>(21,149)</b>	<b>(98,265)</b>	<b>(2,806)</b>	<b>(101,071)</b>	<b>(122,220)</b>

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2019/20**  
**Group Financial Statements**  
**Group Balance Sheet as at 31 March 2020**

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

<b>31 March 2019 Restated £'000</b>		<b>31 March 2020 £'000</b>
361,875	Property, Plant & Equipment	378,548
795	Heritage Assets	805
5,026	Investment Properties	8,330
681	Intangible Assets	514
9,265	Long-Term Investments	1,859
1,054	Investments in Associates and Joint Ventures	837
1	Long-Term Debtors	1
<b>378,697</b>	<b>Non-Current Assets</b>	<b>390,894</b>
505	Investment Properties held for Sale	290
-	Assets held for Sale	-
440	Inventories	451
12,264	Short-Term Debtors	12,951
5,009	Short-Term Investments	9,415
12,048	Cash and Cash Equivalents	16,814
<b>30,266</b>	<b>Current Assets</b>	<b>39,921</b>
(24,957)	Short-Term Creditors	(21,604)
(835)	Provisions	(5)
(2,343)	Short-Term Borrowings	(2,723)
<b>(28,135)</b>	<b>Current Liabilities</b>	<b>(24,332)</b>
(21)	Provisions	(44)
(96,812)	Long-Term Borrowing	(101,328)
(160,788)	Other Long-Term Liabilities	(136,377)
(987)	VJB Liabilities	(810)
<b>(258,608)</b>	<b>Long-Term Liabilities</b>	<b>(238,559)</b>
<b>122,220</b>	<b>Net Assets</b>	<b>167,924</b>
(21,149)	Usable Reserves	(23,317)
(101,071)	Unusable Reserves	(144,607)
<b>(122,220)</b>	<b>Total Reserves</b>	<b>(167,924)</b>

The unaudited financial statements were issued on 10 September 2020 and the audited financial statements were authorised for issue on 4 February 2021

**Lindsay Sim**  
**Chief Finance Officer**  
**4 February 2021**

**CLACKMANNANSHIRE COUNCIL**  
**ANNUAL ACCOUNTS 2019/20**  
*Group Financial Statements*

**Notes to the Group Financial Statements**

**Note 1 Group Accounting Policies**

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, Group Accounts have been prepared in addition to single entity financial statements. The Financial Statements for the Group have been prepared in accordance with the Accounting Policies specified for the Council's Financial Statements and are set out in Note 1 of this document.

**Note 2 Disclosure of Interest in Other Entities**

The Council has adopted the recommendations of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Financial Statements. Group accounts have been prepared using the following basis:

- subsidiaries – consolidated on a line by line basis; and
- associates and joint ventures - using the equity method of accounting.

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

**Note 3 Restatement**

The 2018/19 comparative figures and the opening balances for 2019/20 have been restated for updated financial information and for the adjustments set out in Note 40 – Prior Period Adjustments in the Notes to the Financial Statements.

**Note 4 Group Entities**

The accounting period end for the entities below, except for Coalsnaughton NHT 2012 LLP, is for the year end 31 March. Financial information up to 31 March was obtained and accounted for in the Group accounts. The dates of these accounts are included below.

The Group Accounts consolidate the results of other entities:

- The Common Good Fund has been consolidated in full as a subsidiary (31/3/20).

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

- Central Scotland Valuation Joint Board – 15.4% (31/3/20); and
- Coalsnaughton NHT 2012 LLP – 25% (31/9/19).

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

- CSBP Clackmannanshire Investments Limited – 50% (31/3/20); and
- Clackmannanshire & Stirling Integration Joint Board – 25% (31/3/20).

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

# **CLACKMANNANSHIRE COUNCIL**

## **ANNUAL ACCOUNTS 2019/20**

### ***Group Financial Statements***

#### **Notes to the Group Financial Statements**

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

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

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

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

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

#### **Note 5 Non-Material Interest in Other Entities**

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

#### **Note 6 Financial Impact of Group Consolidation**

The effect of inclusion of the Subsidiary (Common Good), Associate, Joint Ventures and entities on the Group Balance Sheet is to increase both the Reserves and Net Assets by £5.575m (2018/19: £3.941m) representing the Council's net asset in the consolidating entities.

#### **Note 7 Financial Results of Associates and Joint Ventures**

The Council has interests in its subsidiary, associates and joint ventures. It participates in these companies by means of Board membership and the provision of funding and management support.

#### **Subsidiary:**

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

Common Good is treated as a subsidiary within the Council's Group accounts with assets, liabilities, reserves, income and expenditure being consolidated line by line.



## **CLACKMANNANSHIRE COUNCIL ANNUAL ACCOUNTS 2019/20**

Please see previous section of these accounts for income and charges made in the year by the Council for services provided.

### ***Group Financial Statements***

#### **Notes to the Group Financial Statements**

##### **Joint Ventures:**

- **Clackmannanshire and Stirling Integration Joint Board**

The Clackmannanshire and Stirling Integration Joint Board (IJB) is a statutory body established to integrate health and social care services between Clackmannanshire Council, Stirling Council and NHS Forth Valley. The contribution provided by Clackmannanshire Council to the IJB in 2019/20 was £17.3m (2018/19 £16.6m). The IJB Board comprises twelve voting members with three elected members of Clackmannanshire Council (25% voting share).

- **CSBP Clackmannanshire Investments Limited**

The CSBP Clackmannanshire Investments Limited has two elected members of the Council who sit on the board of directors (50%). The Council received an interim dividend of £0.150m in 2019/20 for the sale of land. The Council made no contribution to the Joint Venture in the 2019/20 or 2018/19 financial years.

##### **Associates:**

- **Central Scotland Valuation Joint Board**

The Central Scotland Valuation Joint Board (VJB) is the statutory body responsible for maintaining the electoral, council tax and non-domestic rate register for Clackmannanshire, Stirling and Falkirk Councils. The contribution made by Clackmannanshire Council to the board for 2019/20 was £0.395m (2018/19: £0.381m). The VJB board comprises fifteen voting members with three elected members of Clackmannanshire Council (20% voting share) the accounts are consolidated based on the payment share of 15.4%.

- **Coalsnaughton NHT 2012 LLP**

Under the NHT initiative, the Scottish Futures Trust, Hadden Construction and Clackmannanshire Council (25%) entered into a Limited Liability Partnership (LLP) venture to purchase newly-built homes so they can be made available for rent at 'mid market' rates, for a period of up to 10 years. The Council has provided finance to the LLP in the form of a loan. This loan is secured against the individual units and is further backed by means of a Guarantee from the Scottish Government. The loan accrues interest at 4% per annum and £174,301 was charged for the year to 31 March 2020. The total loan funding issued to the Joint Venture as at 31 March 2020 was £4,357,542.

# CLACKMANNANSHIRE COUNCIL

## ANNUAL ACCOUNTS 2019/20

The following table represents the Group's share of key financial information extracted from the accounts of the above entities for 2019/20:

	Central Scotland VJB		Clackmannanshire and Stirling IJB		Coalsnaughton NHT 2012 LLP		CSBP Clackmannanshire Investments Ltd		Common Good	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Gross Income	(415)	(436)	(2,106)	(2,534)	(34)	(33)	(188)	(6)	(287)	(264)
Gross Expenditure	477	481	49,831	52,513	8	8	213	2	467	(120)
Financing & Investment Income & Expenditure	-	25	(47,629)	(49,909)	25	25	-	-	(19)	0
(Surplus)/ Deficit on Provision of Services	87	70	96	70	(1)	0	26	4	161	(384)
Other Comprehensive Income/ Expenditure	103	(247)	-	-	-	-	-	150	-	(1,290)
Non-current assets	6	6	-	-	1,530	1,530	-	-	3,865	5,539
Current assets	114	110	494	424	42	26	253	71	9	9
Current liabilities	(44)	(52)	-	-	(1,196)	(1,180)	(70)	(34)	-	-
Pension liabilities	(1,062)	(874)	-	-	-	-	-	-	-	-

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**Report to: Audit Committee**

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**Date of Meeting: 4 February 2021**

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**Subject: Annual report to those charged with Governance and the  
Controller of Audit for Financial Year Ended 2019/20**

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**Report by: Chief Finance Officer**

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## **1.0 Purpose**

- 1.1. This report and appendices set out the findings arising from the work carried out by the External Auditors on the Audit of the 2019/20 Financial Statements.

## **2.0 Recommendations**

It is recommended that the Committee:

- 2.1. note the content of the Independent Auditor's Report;
- 2.2. approve the content of the Letter of Representation (ISA 580), and
- 2.3. note the recommendations for improvement and the follow up on prior year recommendations within Appendix 1 of the Annual Audit Report.

## **3.0 Considerations**

- 3.1 International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 3.2 Appendix 1 of this report contains a covering letter from the Auditor and the Independent Auditors Report. This sets out the basis of the audit work and the Audit opinion.
- 3.3 Also contained within Appendix 1 is the draft Letter of Representation (ISA 580) to the Auditor which the Council is required to prepare confirming the representations that have been made in connection with the audit of the Councils annual accounts for the year ended 31 March 2020. On approval, this letter will be signed by the Council's Chief Finance Officer.
- 3.4 The 2019/20 Annual Audit Report is included at Appendix 2 and sets out the significant findings from the 2019/20 audit of the Councils Annual Accounts (Exhibit 3). The report covers the scope of the audit as set out in the Annual Audit Plan presented to the Audit Committee in February 2020, considering the four audit

dimensions that frame the wider scope of public audit set out in the Code of Audit Practice 2016 covering:

- Financial Sustainability;
- Financial Management;
- Governance & Transparency; and
- Value for Money.

- 3.5 The report also sets out recommendations and provides an action plan which has been agreed with Senior Officers, set out at Appendix 1. Contained within the action plan is an update on progress on recommendations brought forward from 2018/19.

#### **4.0 Conclusion**

- 4.1 The Committee is asked to approve the Letter of Representation and note the content of the Independent Auditor's Report and the 2019/20 Annual Audit Report.

#### **5.0 Sustainability Implications**

- 5.1 Not applicable

#### **6.0 Resource Implications**

##### *6.1 Financial Details*

- 6.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☒
- 6.3 Finance have been consulted and has agreed the financial implications as set out in the report. Yes ☒

#### **7.0 Exempt Reports**

- 7.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

#### **8.0 Declarations**

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

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

- |  |                          |
|--|--------------------------|
| The area has a positive image and attracts people and businesses         | <input type="checkbox"/> |
| Our communities are more cohesive and inclusive                          | <input type="checkbox"/> |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/> |
| Our communities are safer  | <input type="checkbox"/> |
| Vulnerable people and families are supported                             | <input type="checkbox"/> |
| Substance misuse and its effects are reduced                             | <input type="checkbox"/> |

- Health is improving and health inequalities are reducing ☐
- The environment is protected and enhanced for all ☐
- The Council is effective, efficient and recognised for excellence ☒

**(2) Council Policies** (Please detail)

**9.0 Equalities Impact**

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

Yes ☐ No ☒

**10.0 Legality**

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

**11.0 Appendices**

- 11.1 Appendix 1 - Independent Auditor's Report and ISA 580 and Letter of Representation
- 11.2 Appendix 2 - Clackmannanshire Council 2019/20 Annual Audit Report

**12.0 Background Papers**

- 12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

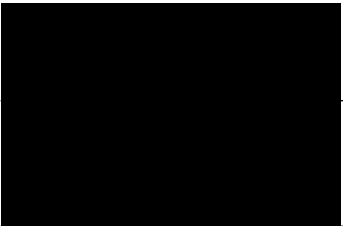
Yes ☒ (please list the documents below) No ☐

**Council Draft and Audited Financial Statements 2019/20**

**Author(s)**

NAME	DESIGNATION	TEL NO / EXTENSION
Lindsay Sim	Chief Financial Officer	2022

**Approved by**

NAME	DESIGNATION	SIGNATURE
Lindsay Sim	Chief Finance Officer	
Stuart Crickmar	Strategic Director, Partnership & Performance	

## **Audit Committee**

**4 February 2021**

### **Clackmannanshire Council Audit of 2019/20 annual accounts**

#### **Independent auditor's report**

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 4 February 2021 (the proposed report is attached at [Appendix A](#)).

#### **Annual audit report**

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit Committee's consideration our draft annual report on the 2019/20 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

#### **Unadjusted misstatements**

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We have no unadjusted misstatements to be corrected.

#### **Fraud, subsequent events and compliance with laws and regulations**

7. In presenting this report to the Audit Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## **Representations from the Chief Finance Officer**

8. As part of the completion of our audit, we are seeking written representations from the Chief Finance Officer on aspects of the annual accounts, including the judgements and estimates made.
9. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Chief Finance Officer with the signed annual accounts prior to the independent auditor's report being certified.

## APPENDIX A: Proposed Independent Auditor's Report

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

#### Report on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Clackmannanshire Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, and Balance Sheets, the council-only Cash Flow Statement, Housing Revenue Account Income and Expenditure Statement, Movement in Housing Revenue Account Statement, Council Tax Income Account, Non Domestic Rates Income Account, the Common Good and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Conclusions relating to going concern basis of accounting

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

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



## **Risks of material misstatement**

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

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

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

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

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the annual accounts**

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

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

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

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

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

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

### **Matters on which I am required to report by exception**

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

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

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

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

### **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

4 February 2021

## APPENDIX B: Letter of Representation (ISA 580)

Gordon Smail, Audit Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

4 February 2021

Dear Gordon

### **Clackmannanshire Council Annual Accounts 2019/20**

1. This representation letter is provided about your audit of the annual accounts of Clackmannanshire Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Strategic Leadership Group, the following representations given to you in connection with your audit of Clackmannanshire Council's annual accounts for the year ended 31 March 2020.

### **General**

3. Clackmannanshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Clackmannanshire Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that I am not aware of any uncorrected misstatements within the financial statements.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of Clackmannanshire Council and its group at 31 March 2020 and the transactions for 2019/20.

### **Accounting Policies & Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable.

Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Clackmannanshire Council circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

### **Going Concern Basis of Accounting**

9. I have assessed Clackmannanshire Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Clackmannanshire Council's ability to continue as a going concern.

### **Assets**

10. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
11. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2020.
12. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
13. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

### **Liabilities**

14. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
15. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2020 of which I am aware where the conditions specified in the 2019/20 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2020. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.
16. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2020 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
17. The accrual recognised in the financial statements for holiday untaken by 31 March 2020 has been estimated on a reasonable basis.

18. The pension assumptions made by the actuary in the IAS 19 report for Clackmannanshire Council have been considered and I confirm that they are consistent with management's own view.
19. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Contingent liabilities**

20. There are no significant contingent liabilities, other than those disclosed in Note 37 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and IAS 37.

### **Fraud**

21. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

22. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

23. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the Clackmannanshire Council's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

24. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

### **Management Commentary**

25. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

### **Corporate Governance**

26. I confirm that Clackmannanshire Council has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in

the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

27. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. I am satisfied that governance arrangements have been adequately maintained.

### **Group Accounts**

28. I have identified all the other entities in which Clackmannanshire Council has a material interest and have classified and accounted for them in accordance with the 2019/20 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

### **Events Subsequent to the Date of the Balance Sheet**

29. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Chief Finance Officer

# Clackmannanshire Council

2019/20 Annual Audit Report – DRAFT

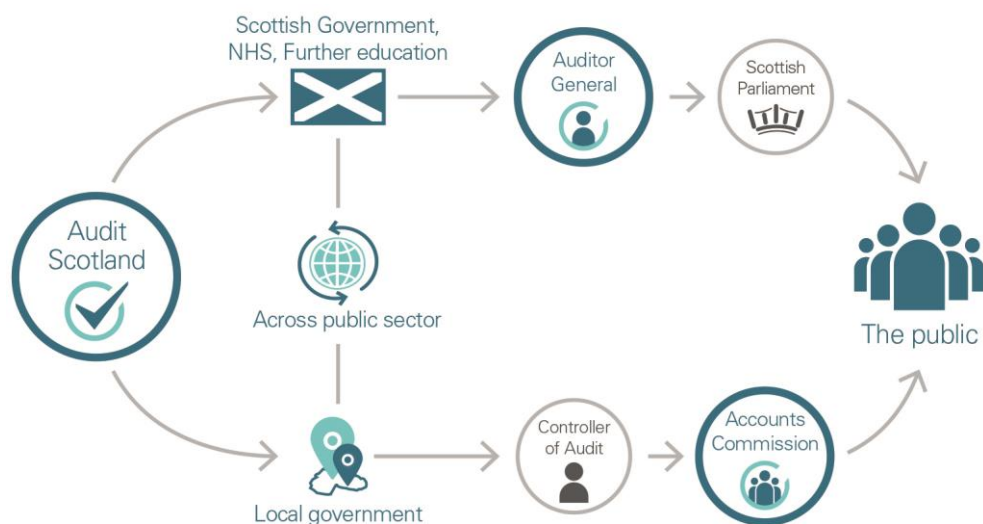


Prepared for the Members of Clackmannanshire Council and the Controller of Audit  
February 2021

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.



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# Key messages

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## 2019/20 annual accounts

- 1 The financial statements of Clackmannanshire Council (the council) and its group give a true and fair view and were properly presented.
- 2 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant requirements.
- 3 The audit was later than planned. Additional priorities for the finance team to respond to Covid-19 alongside business as usual led to delays in preparing the annual report and accounts.

## Financial management

- 4 The council operated within its revenue budget for 2019/20.
- 5 Underspending against the capital budget continued in 2019/20. Work to complete a longer-term capital strategy is ongoing.
- 6 The council needs to strengthen its arrangements for preventing fraud and corruption in the procurement function as this is an area where instances of fraud can be particularly common.

## Financial sustainability

- 7 The council's financial position improved in 2019/20, but actions to address the financial impact of Covid-19 will affect 2020/21. The council's track record in managing its finances in challenging circumstances will be tested further as it looks to secure financial sustainability.
- 8 The council's transformation programme is the basis for building financial and service sustainability. The council continued to progress transformation work in 2019/20 and has refreshed its priorities in response to the pandemic.

## Governance and transparency

- 9 The council's governance arrangements provided an appropriate framework for decision-making and scrutiny. The council made reasonable and pragmatic changes in response to Covid-19.
- 10 Overall, the council conducts its business in an open and transparent manner.

## Best Value

- 11 The council made further progress in implementing the changes required to improve its finances and services.
- 12 The council has agreed steps designed to ensure it has the staff capacity to respond to, and recover from, the challenges presented by Covid-19.

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# Introduction

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1. This report summarises the findings from the 2019/20 audit of Clackmannanshire Council (the council) and its group.
2. The scope of the audit was set out in our 2019/20 Annual Audit Plan presented to the February 2020 meeting of the audit committee. This report comprises the findings from:
  - an audit of the annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

---

## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

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3. The main elements of our audit work in 2019/20 have been:
  - an audit of the annual accounts of the council and its group and the issue of an independent auditor's report setting out our opinions
  - a review of the council's key financial systems
  - consideration of the four audit dimensions.
4. Since publication of the Annual Audit Plan the council, like all public bodies, has had to respond to the global coronavirus pandemic. This impacted on the final month of the 2019/20 financial year and continues to have a significant impact in 2020/21. Covid-19 has had significant implications for the services the council delivers. The council is involved in administering schemes providing financial

support to businesses and individuals affected by the pandemic. This has affected the council's capacity and services.

**5.** We reviewed our assessment of audit risks and planned audit work in August 2020 and confirmed that they remained relevant.

## **Adding value through the audit**

**6.** We add value to the council through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- helping the council promote improved standards of governance, better management and decision making and more effective use of resources
- reviewing the council's progress in addressing matters arising from our Best Value reports.

## **Responsibilities and reporting**

**7.** The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

**8.** The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

**9.** Our responsibilities as independent auditors appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice 2016](#) and International Standards on Auditing in the UK.

**10.** As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the council's performance management arrangements
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability and,
- Best Value arrangements.

**11.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

**12.** This report sets out matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**13.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

## **Auditor independence**

**14.** Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £202,210 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**15.** This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

---

# Part 1

## Audit of 2019/20 annual accounts

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### Main judgements

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The financial statements of the council and its group give a true and fair view and were properly presented.

---

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant requirements.

---

The audit was later than planned. Additional priorities for the finance team to respond to Covid-19 alongside business as usual led to delays in preparing the annual report and accounts.

---

The annual accounts are the principal means of accounting for the stewardship of resources and performance.

### Our audit opinions on the annual report and accounts are unmodified

**16.** The accounts for the council and its group for the year ended 31 March 2020 were approved by the audit committee on 4 February 2021. As reported in the independent auditor's report;

- the financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, and the management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

### Additional priorities for the finance team to respond to Covid-19 alongside business as usual led to delays in preparing the annual report and accounts

**17.** The Scottish Government advised that it considers the provisions in the Coronavirus (Scotland) Act 2020 allow each local authority to determine its own revised timetable for the annual accounts. The council used the powers in the 2020 Act to postpone the availability of the unaudited accounts beyond the usual date of 30 June 2020.

**18.** The council's finance team faced competing pressures to support the council's response to Covid-19 alongside its routine business. As a result, the council was unable to provide unaudited annual accounts in accordance with the original audit timetable. We agreed a revised timetable for the audit with officers, and this had to be extended at the request of officers due to additional and continuing Covid-19 response work. The unaudited accounts were made available on 15 September 2020 and provided to us for audit on 7 September 2020.

**19.** The unaudited annual report and accounts were of an acceptable standard but would have benefitted from further review by officers to identify and correct

typographical and presentational errors. We received a complete working papers package in support of the accounts. Officers supported us during the audit, but we experienced delays in receiving information and responses to queries due to the increased workload of the finance team.

**20.** The finance team's resources have been stretched due to the additional priorities to respond to Covid-19. For example, administering schemes providing financial support to businesses and individuals affected by Covid-19. It has also had to adjust to new ways of working.



### Recommendation 1

**The council should continue work to ensure the finance team has the resources needed to prepare its annual accounts, and respond to additional priorities and new ways of working due to Covid-19.**

---

## Objections

**21.** The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. These requirements were amended by Schedule 6 of the Coronavirus (Scotland) Act 2020. The council complied with the revised regulations. There were no objections to the 2019/20 accounts.

## Overall materiality is £2.4 million

**22.** The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of any misstatement in the financial statements.

**23.** On receipt of the annual report and accounts for audit we reviewed our materiality calculations and concluded that they remained appropriate as shown in [Exhibit 2](#).

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## Exhibit 2

### Materiality values

Overall materiality	£2.4 million
Performance materiality	£1.2 million
Reporting threshold	£50,000

Source: Audit Scotland

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**24.** [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. [Appendix 2](#) identifies the work we undertook to address these risks and our conclusions from this work.

**25.** We have no issues to report from our work on the risks of material misstatement highlighted in our 2019/20 Annual Audit Plan. We have reported several points from our wider dimension work. These relate to financial sustainability and governance and transparency, and are included in the action plan at [Appendix 1](#).

## **We have no significant findings to report on the accounts**

**26.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the council's accounting practices. We have no significant findings to report on the qualitative aspects covering accounting policies, accounting estimates and financial statements disclosures.

## **The council adjusted identified misstatements of £15.7 million in the accounts**

**27.** There was one material adjustment to the unaudited financial statements arising from our audit. The total value of this adjustment is £13.3 million and relates to the following transactions that were credited to income in error:

- pensions accounting adjustment of £10.2 million
- support services recharges of £1.3 million
- internal trading contract income of £1.8 million.

**28.** The adjustment reduced gross expenditure by £13.3 million and gross income by the same amount, with no overall effect on net expenditure. The council adjusted group income and expenditure by the same amount.

**29.** We also identified three monetary misstatements below our materiality level which exceeded our reporting threshold:

- Omission of the share of other comprehensive income for the council's subsidiary, associates and joint ventures. Management amended the misstatement. As a result of this change group total comprehensive income increased by £1.7 million.
- Omission of common good revaluation movements. The council made a £0.06 million adjustment to correct this misstatement which reduced common good net assets and total comprehensive income by this amount.
- Incorrect accounting treatment of common good revaluation movements. Management amended this misstatement. This reduced the surplus on revaluation of non-current assets by £0.6 million and credited the surplus or deficit on provision of services by the same amount, with no overall effect on total comprehensive income and expenditure.

**30.** We have concluded that the misstatements identified arose from isolated issues and do not indicate systematic error.

## **Financial and performance reporting in the management commentary could be improved**

**31.** The management commentary that accompanies the financial statements is intended to assist users' understanding of the financial statements and the council's financial position and performance generally. It provides context for the financial statements, analysis of performance, and insight into the council's priorities and the strategies it has adopted to achieve its objectives.



**32.** The management commentary meets the minimum statutory requirements, but we noted several areas where financial and performance reporting could be strengthened. This includes clearer analysis of how the council performed against its priorities and better financial information which can be reconciled more easily to the financial statements.

**33.** The Audit Scotland [Good Practice Note: Management Commentaries Enhancing the quality of local government annual accounts](#) is a useful reference point to help enhance the management commentary.



## **Recommendation 2**

**The council should make improvements to the management commentary to ensure it provides users of the annual report and accounts with a more comprehensive analysis of its performance.**

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## **The council has made limited progress on prior year recommendations**

**34.** The council has made limited progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

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# Part 2

## Financial management

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### Main judgements

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The council operated within its revenue budget for 2019/20.

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Underspensing against the capital budget continued in 2019/20. Work to complete a longer-term capital strategy is ongoing.

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The council needs to strengthen its arrangements for preventing fraud and corruption in the procurement function as this is an area where instances of fraud can be particularly common.

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Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

### The council operated within its revenue budget in 2019/20

**35.** The council approved its 2019/20 budget of £125.5 million in March 2019. The council recorded a general fund revenue underspend of £5.3 million in 2019/20. The more significant under and overspends are summarised in [Exhibit 3](#).

**36.** The council's 2019/20 budget included approved savings of £4.8 million. The council achieved £3.9 million (81%) of these savings in-year. While this is less in percentage terms compared with 2018/19 (87% savings achieved) it represents good progress in achieving savings year on year.

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### Exhibit 3

#### Summary of significant under and overspends against budget

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##### Underspends

Education	£2.0 million	<p>The early years budget was underspent by £0.4 million due to vacant posts and carry forward of £0.3 million to fund the Scottish Government commitment to increase early learning and childcare provision in 2020/21.</p> <p>The primary schools staff costs budget was underspent by £0.6 million due to vacant posts.</p> <p>The secondary school budget had a range of underspends totalling £0.2 million.</p> <p>The council received pupil equity funding for the 2019/20 academic year (August 2019 to</p>
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July 2020). The council recorded a £0.6 million underspend reflecting unspent funds at the financial year end which were carried forward for use in the remainder of the academic year.

Development and environmental services	£1.1 million	A range of underspends with the most significant ones in the building operations, catering, implementation, and roads and street lighting budgets.
Housing and community safety	£1.0 million	Income from housing benefits was greater than the council forecast.
Loans fund repayments	£1.9 million	The council agreed to restructure the repayment of loans fund advances.
<b>Overspends</b>		
Social services	£0.7 million	The council overspent its budget for residential placements for children by £0.7 million.

Source: Clackmannanshire Council

## The housing revenue account operated within budget

**37.** The council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set at a level which will at least cover the costs of its social housing provision.

**38.** The council made a surplus of £7.1 million in 2019/20 on its HRA which was higher than the budgeted surplus of £4.9 million. This increase was mainly due to lower than expected staff costs, a delay to a new IT system and restructuring of loans fund repayments.

**39.** The council has used the HRA surplus to make a £6.2 million capital contribution to fund future improvements to its housing stock in accordance with its housing business plan. The council also transferred £0.1 million to the general fund to cover transfer of land to the HRA. The balance on the HRA at the end of the 2019/20 financial year increased to £4.5 million. These results indicate that the council's HRA remains financially sustainable.

## The level of general fund reserves increased in 2019/20

**40.** One of the key measures of financial health is the level of reserves. The usable reserves held by the council increased from £20.0 million in 2018/19 to £22.4 million in 2019/20. The council's general fund balance, which provides a contingency to meet unexpected expenditure and manage the impact of uneven cash flows, increased from £8.6 million to £11.9 million.

**41.** The council reviews the level of its uncommitted reserves when setting the budget each year. The uncommitted element of the general fund at 31 March 2020 was £6.2 million which represents 4.8 per cent of net expenditure, above the 3 per cent minimum set in the council's reserve strategy. This is an increase of £1.4 million from the position reported in 2018/19 of £4.8 million (3.8 per cent of net expenditure).

**42.** Further information on the reserves position and the impact of Covid-19 is included in the next section of our report.

## Underspending against the capital budget continued in 2019/20

**43.** The council's total capital expenditure in 2019/20 was £20.7 million of which £14.2 million related to general services and £6.5 million to the HRA. This represents an overall underspend of £10.5 million (34 per cent) on the council's capital programme.

**44.** The underspend was mainly due to delays to large projects covering several financial years, including City Region Deal projects and the digital infrastructure project. The HRA part of the budget was also underspent due to delays in the repairs and refurbishment programme.

**45.** We previously highlighted recurring capital underspends and recommended that the council presses on with work to improve the management of its capital programme. The council has been planning for several years to produce a capital strategy setting out its priorities for the next five to ten years and to better align capital planning and spending. This work remains ongoing.



### Recommendation 3

**The council should implement a capital strategy which clearly sets out how it will manage and deliver its programme of capital expenditure in the medium and longer-term.**

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## The council's borrowing remained within authorised limits

**46.** The council had outstanding loans of £141.0 million at 31 March 2020, an increase of £3.7 million compared with the previous year. This consists of external borrowing of £101.8 million and long-term liabilities relating to three school public private partnership leases of £39.2 million.

**47.** The council sets an authorised limit for external debt in its annual treasury management strategy. This provides authority for the maximum figure the council can borrow at any given point. The council also sets a lower operational boundary based on an estimate of the most likely level of external borrowing. The council's borrowing remains within its external borrowing limit of £160.0 million and operational boundary of £150.0 million.

## The council's budget monitoring arrangements were affected by Covid-19

**48.** Scrutiny of financial performance is carried out by service committees and overall review of the council's financial position is delegated to the audit committee. The audit committee receives revenue and capital monitoring reports showing an overall picture of the budget position. The reports also forecast the outturn position for the year and include explanations for significant variances against budget.

**49.** Due to Covid-19 the council's committees did not meet between late March and early October 2020. Committees started to meet again from October 2020 and resumed scrutiny of financial performance. This meant that management did not prepare a final outturn report for councillors setting out details of the financial performance of the council in 2019/20. This report provides an important opportunity to scrutinise the financial performance of individual services and investigate the reasons for significant revenue and capital over and underspends based on the year-end figures. With the return to regular committee meetings, the council should ensure it has clear year-end budgeting review arrangements in place. See Appendix 1, prior year recommendation 1.

**50.** The council has notified us of pressures in its 2020/21 social work budget due to increased spending on children's services. We have agreed to carry out

additional work in this area as part of our 2020/21 audit. This will give us an opportunity to consider how the council is managing a key element of its budget, particularly aspects which are demand-led and difficult to plan. The council plans to use the outcome of our work to inform its wider transformation and organisational redesign activity.

**51.** The council has also identified that the housing repairs and social work systems do not provide accurate commitments in the financial ledger to allow accurate budget management.

## **We identified areas where internal controls could be strengthened**

**52.** We identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**53.** Our 2019/20 testing covered key controls in areas including bank reconciliations, supplier bank detail changes, controls over changes to standing data and budget monitoring. We also followed up the council's progress in addressing the weaknesses identified in our 2018/19 management report.

**54.** We identified areas where controls could be strengthened. These relate to control weaknesses we reported in 2018/19 and therefore further work is required, as a matter of urgency, to address the recommendations. Risks remain until these matters are resolved. We carried out additional work to gain the assurance we required for our audit of the council's 2019/20 annual accounts. The control weaknesses we identified are covered in the remainder of this section. We would normally include points of detail like this in the management report but we were unable to present the report to the audit committee because the committee did not meet due to Covid-19. We made management aware of the control weaknesses at the time of completing the work in April 2020.

**55.** Council staff are aware of the importance of ensuring changes to a supplier's bank details are genuine. They verify requests for changes in bank details by contacting the supplier by telephone using the number already held by the council. In 2018/19 we found that for 11 of the 20 cases we tested there was documentary evidence of a request to change the supplier bank details on file but no evidence of council verification of the change. In four of the 11 cases, the council should have taken steps to ensure the requests for change were authentic.

**56.** This year we found that for three of the 25 cases we tested the council had not recorded evidence of supplier verification on file. Evidence of supplier verification should be noted on file for every change of supplier bank details. Staff should record a note of the verification against the supplier file in the system and attach backup of the new details received.

**57.** Authorised signatories approve the opening and closing of bank accounts, authorise payments, and approve changes to the list of signatories. We previously identified that the authorised signatory list was out of date and included an employee who no longer worked for the council. We also found that the user access list for the council's banking system was out of date. Some employees whose responsibilities meant that they did not require access to the system were listed.

**58.** This year we found that the authorised signatory lists have been updated. The user access list for the council's banking system has also been updated. However, the listing shows that there are officers with view-only access who have not logged on to the system for up to four years. This would suggest that access is no longer required. The council should ensure that access rights are up-to-date, appropriate and reflect current responsibilities.

**59.** In 2018/19 we reported that the council did not prepare reconciliations between the housing rents system and the financial ledger system. Our 2019/20 testing found that officers prepare monthly reconciliations between the housing rents system and the financial ledger and investigate variances. However, we found unreconciled differences which officers had not yet investigated. Housing rent system reconciling differences should be investigated timeously.

**60.** The scheme of delegation is out of date and was last reviewed in 2014. It was due to be updated in March 2019. We note that the scheme of delegation has not been updated as the council has yet to complete the restructure of the people directorate. Documents which set out the council's financial management and governance arrangements should be updated and reflect current structures and roles.



#### **Recommendation 4**

**The council should progress actions agreed to resolve the control weaknesses relating to changes in supplier bank details, bank access rights and housing rent reconciliations, and update its schemes of delegation.**

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#### **Internal audit**

**61.** The council's internal audit function is provided through a joint resourcing arrangement with Falkirk Council. Falkirk Council provides management and resources under the terms of the agreement. Each year we consider whether we can rely on internal audit work to avoid duplication of effort.

**62.** We reviewed the council's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could rely on the work of internal audit. We planned to place reliance on internal audit's work on access privileges to key corporate systems. After review of the report, terms of reference and audit work we concluded that the audit did not cover the key control we identified for user access restrictions. We therefore did not place reliance on this work.

**63.** We considered the findings of internal audit work throughout the year to inform our work.

#### **The council needs to strengthen its arrangements for preventing fraud and corruption in the procurement function**

**64.** The council is responsible for establishing arrangements for the prevention and detection of fraud and error and irregularities. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**65.** The council has a range of procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, corporate anti-fraud policy, fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

**66.** In 2018/19 we reported that the council needed to update its arrangements for the prevention and detection of fraud and corruption. This included updating relevant policies and strategies and ensuring staff are aware how to report suspected fraud. Officers committed to updating the council's fraud and raising concerns at work policies and process to produce a comprehensive approach. This work has not been concluded and is still to be approved by councillors. See Appendix 1, prior year recommendation 2.

**67.** The consideration of financial management includes evaluating the arrangements in place for fraud and corruption. Instances of fraud and corruption can be particularly prevalent in the procurement function.

**68.** We assessed the effectiveness of the council's controls and policies in preventing procurement fraud and found:

- there were at least 11 contracts across various services which had elapsed but were still being used
- a large number of invoices that had not been matched to purchase orders, mainly for the health and social care partnership.



#### **Recommendation 5**

**The council should review its arrangements for preventing procurement fraud to ensure they are effective.**

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### **National Fraud Initiative activity needs to increase**

**69.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Audit Scotland coordinates NFI in Scotland. Computerised techniques are used to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

**70.** We reported in our 2018/19 annual audit report that at September 2019 the council had investigated 64 matches of varying risk levels, eight per cent of all matches. The NFI identified 160 cases that are deemed to be high risk matches recommended for investigation. We reviewed the NFI system in 2019/20 and found that the council had only investigated one additional match and has not investigated 111 high risk matches.



#### **Recommendation 6**

**The council should review its approach to investigating high risk matches.**

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# Part 3

## Financial sustainability

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### Main judgements

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**The council's financial position improved in 2019/20, but actions to address the financial impact of Covid-19 will affect 2020/21. The council's track record in managing its finances in challenging circumstances will be tested further as it looks to secure financial sustainability.**

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**The council's transformation programme is the basis for building financial and service sustainability. The council continued to progress transformation work in 2019/20 and has refreshed its priorities in response to the pandemic.**

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Financial sustainability looks forward to the medium and longer-term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered.

### The council has effective financial planning arrangements

**71.** The council regularly reviews its financial position. It has longer-term plans that include best, most likely and worst-case scenarios for a rolling four-year period. These scenarios, which it regularly reviews, are based on different sets of assumptions for variable such as Scottish Government funding, inflation and pay awards. Councillors received regular budget strategy reports during 2019/20.

### The council's financial position improved in 2019/20, but actions to address the financial impact of Covid-19 will affect 2020/21

**72.** The council agreed a balanced budget for 2020/21 in February 2020. It updated its indicative funding gap for 2021/22 to 2023/24 based on the decisions agreed in the budget. This resulted in indicative funding gaps of £7.9 million, £6.6 million and £6.7 million for the three years to 2024. This is a cumulative gap of £21.2 million which is an improvement from the three-year funding gap of £23.4 million highlighted in our 2018/19 Annual Audit Report.

**73.** In June 2020, the chief executive presented a report to the council highlighting risks to the council's finances from the Covid-19 pandemic. These include:

- increased costs for response and recovery work, which additional Scottish Government funding may not cover
- delays in implementing previously agreed savings and transformation projects
- reduced council tax, non-domestic rates, rents and other income
- delayed completion of capital projects.

**74.** In September 2020, the chief finance officer presented a finance update to the council. This highlighted the council was forecasting an overspend of £2 million for 2020/21 due mainly to Covid-19. The council agreed:



- to use £1.5 million of uncommitted reserves to support the 2020/21 budget
- to urgently develop and implement a recovery plan for social care and to implement spending restraint across all council services
- to delegate an additional £0.25 million from uncommitted reserves to the senior leadership group to address unmet resourcing needs
- to use uncommitted reserves to increase the transformation fund by £0.5 million.

**75.** These measures reduce the council's uncommitted general fund reserves to just £30,000 above the minimum level set out in the council's reserve strategy.

**76.** The council has a track record in managing its finances in challenging circumstances. It has arrangements in place to respond to the impact of Covid-19 on its finances and these will be tested further as it looks to secure financial sustainability.

### **The council continued to progress transformation work in 2019/20 and has refreshed its priorities in response to the pandemic**

**77.** The council is using its 'Be the Future' transformation programme as the basis for building financial and service sustainability. It implemented a new financial planning approach with the 2020/21 budget, which involves closer integration with the transformation programme. The council's longer-term financial plans will be updated as individual business cases are developed to include the impact of approved transformation projects. The council hopes this will allow it to chart progress toward financial and service sustainability.

**78.** Be the Future is a ten-year programme which combines the council's local outcome improvement plan outcomes and corporate plan priorities into three programmes of activity:

- Sustainable inclusive growth
- Empowering families and communities
- Health and well-being.

**79.** The council revisited the core workstreams and priorities of the Be the Future programme in the first half of 2020/21. The review included a series of externally facilitated stakeholder engagement events involving councillors, officers and community planning partners. The council concluded that the three programmes of activity provide a relevant response to Covid-19 and associated recovery activity, including financial recovery. Priority areas of work were identified covering:

- new ways of working
- supporting economic recovery
- financial sustainability.

**80.** The council has agreed to prioritise these projects through the Be the Future programme. Progress will be monitored by the transformation programme board, now known as the Be the Future Board, and the council. We are aware that the council has continued to progress transformation work during 2020/21 and we will review progress as part of our 2020/21 audit.



#### Recommendation 7

The council should keep its transformation programme projects under review to ensure they support financial and service sustainability.

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# Part 4

## Governance and transparency

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### Main judgements

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**The council's governance arrangements provided an appropriate framework for decision-making and scrutiny. The council made reasonable and pragmatic changes in response to Covid-19.**

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**Overall, the council conducts its business in an open and transparent manner.**

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Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

### **The council's governance arrangements provided an appropriate framework for decision-making and scrutiny**

**81.** The council's governance arrangements are centred on council meetings, three service committees and the audit committee. The audit committee is chaired by a member of the opposition in line with accepted good practice.

**82.** Council and committee meetings are well attended by councillors and papers are subject to a good level of scrutiny. The governance arrangements in place for the majority of 2019/20 provided an appropriate framework for organisational decision-making and scrutiny.

### **The council made reasonable and pragmatic changes to governance arrangements in response to Covid-19**

**83.** The council's annual governance statement explains the impact of Covid-19 on its governance arrangements. The council made significant changes to allow it to manage the challenges presented by the pandemic and protect its communities and staff.

**84.** The council cancelled all scheduled council and committee meetings from 25 March to 28 May 2020 and set up an emergency decision making forum (EDMF), which met remotely, to deal with council business. The EDMF included councillors from all political parties. This reduced face-to-face contact and allowed for urgent decision-taking. It also allowed senior staff to focus on the council's response to the pandemic. Establishing the EDMF was an appropriate response to the challenging situation faced by the council and ensured continued scrutiny of council decisions.

**85.** Regular council meetings resumed from 25 June 2020. The council's committees started meeting again from the beginning of October 2020. All meetings are held remotely and continue to be well attended by councillors.

### **The council could improve the transparency of financial performance reporting**

**86.** The management commentary that accompanies the financial statements should help readers understand clearly how the council has performed against its

budget and how this reconciles with its financial statements. In part 1 of this report we highlighted improvements the council could make to the management commentary to improve financial performance reporting, and which in turn would enhance financial transparency.

## **Overall, the council conducts its business in an open and transparent manner**

**87.** Openness and transparency support understanding of decision-making and performance and effective scrutiny. A transparent organisation shares clear, relevant and timely information about how it is taking decisions and using resources.

**88.** Overall, the council conducts its business in an open and transparent manner. Before Covid-19 restrictions came into force, members of the public could attend council and committee meetings. Minutes of these meetings and supporting papers are available on the council's website. Since the move to remote meetings the council has also made video recordings of council meetings available on its website.

**89.** We carried out a review of council papers to assess the openness and transparency of decision-making. This covered access to papers and the extent to which business is taken in private session and included comparison against other Scottish councils. Overall, we concluded that the position at Clackmannanshire was similar to other councils. We note that the council has updated its standing orders to make the process for consideration of exempt papers more transparent.

**90.** The council did not maintain an up to date register of senior leadership team interests in 2019/20. The register of interests supports open and transparent council business by identifying potential conflicts of interest.



### **Recommendation 8**

**The council should ensure it maintains an up to date record of senior leadership team interests.**

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## **The council is reviewing how it engages with residents and communities**

**91.** Our June 2019 [BVAR Progress report](#) noted that the council knows it needs to demonstrate better the link between decisions on how it uses its resources and its priorities. Actions include earlier consideration of savings proposals and more targeted engagement with individuals and communities which will be affected, as part of the council's wider commitment to community engagement.

**92.** The council uses an online survey tool, Citizen Space, to consult on issues such as service satisfaction, policy proposals and strategies. This included the annual budget survey. The council notes that its communication approaches were significantly tested during early responses to Covid-19. This required adapting some approaches to ensure they were fit for purpose. Looking forward the council plans to consult on and agree a communication and engagement strategy.

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# Part 5

## Best Value

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### Main judgements

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**The council made further progress in implementing the changes required to improve its finances and services.**

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**The council has agreed steps designed to ensure it has the staff capacity to respond to, and recover from, the challenges presented by Covid-19.**

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Best Value is concerned with using resources effectively and continually improving services.

### The council made further progress in 2019/20 towards the changes required to secure Best Value

**93.** Best Value is assessed over the audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council is considered by the Accounts Commission at least once in this period. The BVAR report for the council was published in January 2018 and a BVAR progress report was published in June 2019.

**94.** Our 2019/20 audit work focused on council's progress against the recommendations of the BVAR Progress report, which were:

- Councillors and officers should build on recent progress and work collaboratively to agree initiatives which secure transformational change, long-term savings, and service and financial sustainability.
- The council should work urgently to finalise its new management structure and proceed with organisational change, and ensure the initiatives that are in train provide the necessary capacity to support and embed change.
- The council should further develop its working relationships with local councils and others and use these to secure efficiencies in services.

**95.** The council has made further progress towards implementing the changes required to improve its finances and pursue opportunities for service development. It will take time for this to result in new ways of working that secure efficiencies.

**96.** There is evidence of broad support between councillors for the council's transformation programme and a willingness to work together and with officers to agree transformational initiatives. In part 3 of this report we highlighted the changes the council is making to the transformation programme to ensure it supports recovery from Covid-19.

**97.** Last year we reported that the council had agreed new management structures for the place and partnership and performance portfolios and a transitional structure for the people portfolio. The council agreed the second phase of its organisational redesign plan in August 2019 which provides a clear roadmap to a new way of working.

**98.** The council has developed a workforce programme in consultation with staff and trade union representatives. This brings together the recovery, support and transformation activity set out in the council's strategic workforce plan, its organisational redesign plan and its Covid-19 recovery plan. The programme identifies project managers and timescales for each activity. The council is making reasonable progress against this plan which covers the period to 2021/22.

**99.** The council has also agreed a range of actions designed to ensure it has the capacity to respond to, and recover from, the challenges presented by Covid-19. This includes:

- recruitment to vacant posts, which has resulted in a permanent appointment for the strategic director (people) post
- additional investment from the transformation fund and uncommitted reserves to allow senior management to secure priority resources
- recruitment for an additional strategic director level resource for 18 months to focus on ongoing response and recovery activity and transformation priorities.

**100.** Our BVAR Progress report found that the council views collaboration as critical to achieving financial sustainability. During 2019/20 the council made connections and established relationships with a wide range of partners:

- regular meetings of Forth Valley chief executives were scheduled with a focus on developing regional economic potential
- Forth Valley council leaders agreed to develop options as the basis for wider political engagement
- the council established discussions and relationships with partners including the Scottish Government, Stirling University, the Clackmannanshire Alliance community planning partnership and a range of third sector partners.

**101.** The Stirling and Clackmannanshire City Region Deal was signed in February 2020. The deal focuses on delivering national and international sustainability through cutting-edge environmental projects, innovation in the digital and tourism sectors and boosting skills across the region. The council is reviewing its City Deal projects to ensure they remain relevant in the context of the Covid-19 pandemic.

**102.** We had planned to review the council's progress against the recommendations of the BVAR Progress report in more detail in 2019/20 but this was deferred due to Covid-19. We are aware that the council has made further progress in 2020/21 and we will review this as part of our 2020/21 audit.

## **The council is committed to promoting equal opportunities and fairness**

**103.** We reviewed the council's commitment to equal opportunities and fairness as part of our cyclical work on aspects of Best Value. The council has provided evidence of its commitment to equal opportunities through its reporting on how it is mainstreaming equality and diversity. This shows that the council is making good progress against its equality outcomes.

**104.** The council is embedding equal opportunities and fairness in service delivery through its use of equality impact assessments, training programmes and its equal pay policy statement. The council's corporate plan outcomes have a strong focus on promoting equal opportunities and fairness in the community.

## The council's performance management arrangements were affected by Covid-19

**105.** The council's corporate plan sets out a range of outcome measures for each of the council's priorities. Services set targets annually in their business plans. Officers prepare end of year reports for each service which include reporting against these performance measures. These are presented to service committees.

**106.** The council's service committees did not meet between the end of March and beginning of October 2020 due to the revised governance arrangements put in place to respond to Covid-19. This has led to a delay in the council presenting its end of year performance reports. At the time of reporting only the people service's report has been presented. This means it is difficult to obtain a complete picture of the council's performance.

**107.** The council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

**108.** In the 2018/19 annual audit report we highlighted the council's comparatively high rates of teachers' and non-teachers' sickness absence according to the LGBF data. The most recent [National Benchmarking Overview Report 2018/19](#) by the Improvement Service shows that the council's performance against both measures has improved but the data indicates that the council is still not performing as well as most other local authorities. The council is taking a range of actions to explore and address this issue.

## Overall, the council has appropriate arrangements for complying with statutory performance indicators direction

**109.** The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced, and engaging performance information.

**110.** The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report:

- its performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments, and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

**111.** The council has appropriate arrangements in place for complying with the direction. However, as we note in the previous section of this report, there have been delays to it producing and publishing performance information.

## National performance audit reports

**112.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20, Audit Scotland published reports which may be of interest to the council. These are outlined in [Appendix 3](#).

**113.** The council was selected as a fieldwork site for Audit Scotland's performance audit on [Digital progress in local government](#). The report found that councils are at different stages of digital transformation. Progress is strongest where councils have

focused on how digital technology can deliver better outcomes for people. The pace of change has increased as digital technologies have played a vital role in the public sector's response to the Covid-19 pandemic. It has also heightened the awareness of digital exclusion.

**114.** The report includes references to the council's digital transformation work. The council will find the report's recommendations helpful in supporting its future work, along with the supporting good practice guide and checklist for elected members.



# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Finance team capacity</b></p> <p>The finance team's resources have been stretched due to the additional priorities to respond to Covid-19. For example, administering schemes providing financial support to businesses and individuals affected by Covid-19. It has also had to adjust to new ways of working.</p> <p><b>Risk</b></p> <p>The finance team does not have sufficient resources to deal with the additional pressures to respond to Covid-19 alongside business as usual.</p>	<p>The council should continue to ensure the finance team has the resources needed to prepare its annual accounts, and respond to additional priorities and new ways of working due to Covid-19.</p> <p><a href="#">Paragraph 20</a></p>	<p>The Finance and Revenues teams are currently undergoing redesign which will incorporate a review of capacity to meet commitments both in the short and longer term. Additional staffing will be brought in where possible to meet additional demands.</p> <p>Responsible officer – Chief Finance Officer</p> <p>By when – Ongoing</p>
2	<p><b>Management commentary</b></p> <p>The management commentary meets the minimum statutory requirements, but we noted several areas where financial and performance reporting could be strengthened. This includes clearer analysis of how the council performed against its priorities and better financial information which can be reconciled more easily to the financial statements.</p> <p><b>Risk</b></p> <p>The council does not provide users of its annual report and accounts with a clear analysis of its performance.</p>	<p>The council should make improvements to the management commentary to ensure it provides users of the annual report and accounts with a more comprehensive analysis of its performance</p> <p><a href="#">Paragraph 32 to 33</a></p>	<p>The management commentary will be reviewed during the preparation of the 2020/21 accounts.</p> <p>Responsible officer – Chief Finance Officer</p> <p>By when – August 2021</p>
3	<p><b>Capital programme</b></p> <p>We previously highlighted recurring capital underspends and recommended that the council presses on with work to improve the management of its capital programme. The council has been planning for several years to</p>	<p>The council should implement a capital strategy which clearly sets out how it will manage and deliver its programme of capital expenditure in the medium and longer-term</p>	<p>Work is continuing to establish a capital strategy in line with updated asset strategies focusing around the Be the Future priorities, including the Learning Estate Strategy, the Leisure Strategy and City Region</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>produce a capital strategy setting out its priorities for the next five to ten years and to better align capital planning and spending. This work remains ongoing.</p> <p><b>Risk</b></p> <p>Recurring capital underspends affect the ability of the council to improve services and achieve its strategic priorities.</p>	<p><a href="#">Paragraph 45</a></p>	<p>Deal. The Capital Operations group re-established in 2019-20 continues to meet during the year to review capital outturns and review new bids.</p> <p>Responsible officer – Chief Finance Officer</p> <p>By when – March 2022</p>
4	<p><b>Internal controls</b></p> <p>We identified areas where the council could strengthen key controls within accounting systems. These relate to control weaknesses we reported in 2018/19 and therefore further work is required, as a matter of urgency, to address the recommendations. Risks remain until these matters are resolved.</p> <p><b>Risk</b></p> <p>The council's systems do not provide a sound basis for the preparation of the financial statements.</p>	<p>The council should progress actions agreed to resolve the control weaknesses relating to changes in supplier bank details, bank access rights and housing rent reconciliations, and update its schemes of delegation</p> <p><a href="#">Paragraph 54 to 60</a></p>	<p>Work was undertaken following the recommendations provided in April 2020 and changes have been made to supplier verification processes. Bank access rights have also been reviewed and updated as noted in paragraph 58. We are satisfied that the controls in place within the banking system for those with view only access pose no immediate risk but will review as part of our ongoing processes.</p> <p>As noted, Housing rent reconciliations are being carried out however we will review timeframes for investigating reconciling differences.</p> <p>The scheme of delegation is planned for review following the completion of the review of the interim structure for the People Directorate and will be carried out as soon as possible subject to prioritisation of Covid19 response and recovery activity.</p> <p>Responsible officer – Chief Finance Officer/ Monitoring Officer</p> <p>By when – Ongoing</p>
5	<p><b>Arrangements for preventing procurement fraud</b></p> <p>We assessed the effectiveness of the council's controls and policies</p>	<p>The council should review its arrangements for preventing procurement fraud to ensure they are effective.</p> <p><a href="#">Paragraph 68</a></p>	<p>Arrangements for increasing procurement support are being considered as part of the Finance and Revenues redesign including collaboration with Scotland</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>in preventing procurement fraud and found:</p> <ul style="list-style-type: none"><li>there were at least 11 contracts across various services which had elapsed but were still being used</li><li>a large number of invoices that had not been matched to purchase orders, mainly for the health and social care partnership.</li></ul> <p><b>Risk</b></p> <p>Fraud and corruption in the procurement function is not identified.</p>		<p>excel. A review of the finance system is also being undertaken as part of the transformation plan to identify potential developments that would strengthen system controls in this area.</p> <p>Responsible officer – Chief Finance Officer</p> <p>By when – March 2022</p>
6	<p><b>National Fraud Initiative (NFI)</b></p> <p>We reported in our 2018/19 annual audit report that at September 2019 the council had investigated 64 matches of varying risk levels, eight per cent of all matches. The NFI identified 160 cases that are deemed to be high risk matches recommended for investigation. We reviewed the NFI system in 2019/20 and found that the council had only investigated one additional match and has not investigated 111 high risk matches.</p> <p><b>Risk</b></p> <p>Potential fraud or irregularity is not investigated.</p>	<p>The council should review its approach to investigating high risk matches.</p> <p><a href="#">Paragraph 70</a></p>	<p>As the Council does not have a dedicated Fraud team, matches have been prioritised within services. Work is planned in this area linked to current arrangements with Falkirk and will be taken forward as prioritisation allows.</p> <p>Responsible officer – Monitoring Officer</p> <p>By when – June 2021</p>
7	<p><b>Transformation programme</b></p> <p>The council revisited the core workstreams and priorities of the Be the Future programme in the first half of 2020/21. It identified priority areas of work and has agreed to prioritise these projects through the Be the Future programme. Progress will be monitored by the Be the Future Board, and the council.</p> <p><b>Risk</b></p> <p>The council is unable to implement and embed the changes required for financial and service sustainability.</p>	<p>The council should keep its transformation programme projects under review to ensure they support financial and service sustainability.</p> <p><a href="#">Paragraph 79 to 80</a></p>	<p>The Council has continued to prioritise and make good progress with its Transformation Plan. An early review of the Programme themes was undertaken in the latter stages of the first wave of the Covid-19 pandemic. As a consequence, seven priorities were agreed.</p> <p>The Council has embedded continuous and regular review of its projects and priorities as part of its Programme Management approach. This has most recently been undertaken in</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
			preparation for 2021/22 budget setting to inform investment priorities.  Responsible officer – Chief Executive  By when – Ongoing
8	<p><b>Register of senior leadership team interests</b></p> <p>The council did not maintain an up to date register of senior leadership team interests in 2019/20. The register of interests supports open and transparent council business by identifying potential conflicts of interest.</p> <p><b>Risk</b></p> <p>The council does not identify and take action to prevent potential conflicts of interest in decision making.</p>	<p>The council should ensure it maintains an up to date record of senior leadership team interests.</p> <p><a href="#">Paragraph 90</a></p>	<p>This register had been in place and updated until a change of personnel resulted in the responsibility for this register not being clearly allocated. It is now the responsibility of the Monitoring Officer. The initial work to put in place a register for the Chief Executive Officer and Directors will take place immediately with further consideration given to the other officers who should be concluded in due course.</p> <p>Responsible officer – Monitoring Officer</p> <p>By when – March 2021 and August 2021</p>

### Follow up of prior year recommendations

1	<p><b>Budget scrutiny</b></p> <p>Last year (2018/19) we reported that a 2018/19 draft outturn report was not presented to the June 2019 audit committee as planned.</p> <p><b>Risk</b></p> <p>The council's finances are not adequately scrutinised and services are not held to account for their spending.</p>	<p>The council should ensure it has clear year-end budgeting review arrangements in place.</p>	<p>Due to Covid-19 the council's committees did not meet between late March and early October 2020. Committees started to meet again from October 2020 and resumed scrutiny of financial performance. This meant that management did not prepare a final outturn report for councillors setting out details of the financial performance of the council in 2019/20.</p> <p><b>Outstanding</b></p>
2	<p><b>Fraud arrangements</b></p> <p>Last year (2018/19) we reported that the council needs to update its arrangements for the prevention and detection of fraud and corruption.</p> <p><b>Risk</b></p>	<p>The council should review and update its fraud arrangements and policies and ensure these are clearly communicated to staff.</p>	<p>Officers committed to updating the council's fraud and raising concerns at work policies and process to produce a comprehensive approach. This work has not been concluded and is still to be approved by councillors.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	There is an increased risk of undetected fraud.		Ongoing
3	<p><b>Best Value</b></p> <p>The June 2019 BVAR Progress report found that the council has laid the foundations for improvement but still has much to do implement and embed the changes required for service and financial sustainability. At its meeting in August 2019 the council agreed an action plan to progress the recommendations contained in the BVAR Progress report.</p> <p><b>Risk</b></p> <p>The council does not make the progress required to secure its financial position.</p>	<p>The council should address the recommendations of the BVAR Progress report in its work to implement and embed the changes required for service and financial sustainability.</p>	<p>The council has made further progress against the recommendations of the BVAR Progress report. It will take time for this to result in new ways of working that secure efficiencies.</p> <p>Ongoing</p>

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# Appendix 2

## Significant audit risks identified during planning

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The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Risks of material misstatement in the financial statements		
<b>1 Risk of material misstatement caused by management override of controls</b>  Auditing standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.	Testing of journal entries.  Review of accounting estimates.  Testing of accruals and prepayments.  Evaluation of significant transactions that are outside the normal course of business.	We tested journals, accounting estimates, accruals and prepayments. We did not identify any material errors.  We found no evidence of transactions outside the normal course of business or management override of controls.
<b>2 Risk of material misstatement caused by fraud in income recognition</b>  Auditing standards (ISA 240) states that there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements.  The council receives a significant amount of income in addition to Scottish Government funding, for example council tax and charges for services. The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud.	Testing of revenue transactions focusing on the areas of greatest risk.  Substantive cut-off testing of income to ensure it is recognised in the correct financial year.	We tested a sample of high-value revenue transactions and did not identify any issues.  We did not identify any issues from our cut-off testing.
<b>3 Risk of material misstatement caused by fraud in expenditure</b>  Guidance on auditing standards requires public sector auditors to consider the risk of fraud	Testing of expenditure transactions focusing on the areas of greatest risk.  Substantive cut-off testing of expenditure to ensure it is	We tested a sample of high-value expenditure transactions and did not identify any issues.  We did not identify any issues from our cut-off testing.

over expenditure, extending the requirements of ISA 240. The extent of the council's expenditure, for example on benefits and grants, means that there is an inherent risk of fraud.

recognised in the correct financial year.

Review the council's participation and progress in the National Fraud Initiative.

We reviewed the NFI system in 2019/20 and found that the council had only investigated one additional match and has not investigated 111 high risk matches.

#### 4 Estimates and judgements

There is significant subjectivity in the council's measurement and valuation of the material account areas of non-current assets, financial instruments and pensions. The council is commissioning a full revaluation of non-current assets, which needs to be completed before 31 March 2020 to comply with its accounting policy. It is also re-profiling loans fund repayments. The subjectivity of estimations and judgements represents an increased risk of material misstatement in the financial statements.

Testing of non-current asset balances focusing on the areas of greatest risk.

Assessment of the scope, independence and competence of the professionals engaged in providing valuations.

Review the appropriateness of estimates and judgements including comparison with other councils.

We tested samples of asset additions, disposals and transfers and did not identify any significant issues.

We assessed the scope, independence and competence of the valuer appointed by the council and did not identify any issues.

We reviewed the estimates and judgements used by the council in preparing the financial statements. The council agreed to make additional disclosures on the critical judgements made in the financial statements for valuation uncertainty.

### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

#### 5 Financial sustainability

The council continues to face significant financial pressures. This includes the costs of funding demand for its services and those provided by the integration joint board. There are ongoing general pressures on public finances. The council is forecasting it needs to achieve savings of £19 million over the next three years. The council needs to make difficult decisions about its services and how these are provided to ensure it balances its finances.

There is a risk that the council will find it increasingly difficult to maintain financial sustainability and deliver priority services.

Assess the effectiveness of financial planning in identifying the risks to financial sustainability in the short, medium and long terms.

Examine the arrangements in place to address identified funding gaps.

The council regularly reviews its financial position. Councillors receive budget strategy reports which update them on predicted funding gaps.

The council is using its transformation programme as the basis for building financial and service sustainability. It is revising the programme in response to the pandemic.

#### 6 Governance and transparency

The council has a programme of work designed to secure transformational change, longer-term savings, and service and financial sustainability. This involves embedding new structures and arrangements across the council. There is a risk that

Review the appropriateness and effectiveness of arrangements for the prevention and detection of fraud and corruption.

Assess the quality and timeliness of financial information provided to councillors.

The council is updating its fraud and raising concerns at work policies and processes. Once concluded these will have to be approved by councillors.

Councillors receive revenue and capital monitoring reports showing an overall picture of the budget position. Due to Covid-19 the council's committees did not meet between late March and



processes to support the governance and transparency of council business do not operate as intended resulting in:

- ineffective arrangements for the prevention and detection of fraud and corruption
- financial information which is not clear, timely and detailed enough to enable effective scrutiny of the council's finances
- the council being unable to demonstrate the openness and transparency of its decision-making and use of public money
- the management commentary, published alongside the annual accounts, not providing a fair, balanced and understandable analysis of the council's performance.

Examine the openness and transparency of decision-making.

Review whether the management commentary tells a clear story and has been compiled in accordance with the appropriate guidance.

early October 2020. This meant that management did not prepare a final outturn report with the financial performance of the council in 2019/20.

We reviewed council papers to assess the openness and transparency of decision-making. This covered access to papers and the extent to which business is taken in private session and included comparison against other Scottish councils. Overall, we concluded that the position at Clackmannanshire was similar to other councils. We note that the council has updated its standing orders to make the process for consideration of exempt papers more transparent.

We have highlighted improvements the council could make to the management commentary to improve financial performance reporting.

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# Appendix 3

## Summary of national performance reports 2019/20

 <b>2019/20 Reports</b>		
	Apr	
Social security: Implementing the devolved powers	 <b>May</b>	
Scotland's colleges 2019	 <b>Jun</b>	 Enabling digital government
	Jul	
NHS workforce planning - part 2	 <b>Aug</b>	
Finances of Scottish universities	 <b>Sept</b>	
NHS in Scotland 2019	 <b>Oct</b>	
	Nov	
Local government in Scotland: Financial overview 2018/19	 <b>Dec</b>	
Scotland's City Region and Growth Deals	 <b>Jan</b>	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
	Feb	
	<b>Mar</b>	 Early learning and childcare: follow-up

# Clackmannanshire Council

## 2019/20 Annual Audit Report – DRAFT

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