



STIRLING COUNCIL

ABSTRACT OF ACCOUNTS 2006 - 2007

STATEMENT OF ACCOUNTS

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EXPLANATORY FOREWORD

1. Introduction

The purpose of these accounts is to provide clear information about the Council's financial position and this foreword is intended to give the reader an easily understandable guide to the most significant matters reported in the Accounts. The pages that follow are the Council's Accounts for 2006/07 and comprise:

The Statement of Accounting Policies

This explains the basis of the figures in the accounts. The accounts can be best appreciated if the policies followed in dealing with material items are explained.

The Statement of Responsibilities

This explains the responsibilities of both the Council and the Head of Resources.

The Income and Expenditure Account

This account shows the expenditure of all the services for which the Council is responsible. It compares the cost of service provision with the income received from fees and charges, Council Tax and Government Grants.

The Statement of Movement on the General Fund Balance

This statement provides a reconciliation to show how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.

The Statement of Total Recognised Gains and Losses

This statement demonstrates how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

The Balance Sheet

This statement shows the overall financial position of the Council at 31st March by bringing together the year-end balances of all the Council's accounts. It shows the balances and reserves at the Council's disposal, the long-term indebtedness, the net current assets and summary information on the fixed assets held.

The Cash Flow Statement

This statement provides a link between the revenue accounts for the period and the Balance Sheet at both the beginning and end of the year. It summarises the total cash payments and receipts for the financial period.

Significant Trading Operations

These statements provide a summary of the financial performance of those activities defined as Significant Trading Operations by the Local Government in Scotland Act 2003.

The Housing Revenue Income and Expenditure Account

This account summarises the income and expenditure associated with the provision of Council Housing.

The Council Tax Income Account

This account shows all the income raised from Council Tax. Owners of domestic properties (with some exceptions) are liable for a banded charge depending on the value of each property. There is a benefits scheme under which those with low incomes are entitled to rebates.

The Non Domestic Rate Income Account

This account shows the income received from rates levied on non-domestic properties and the net contribution to/from the National Non Domestic Rates Pool.

The Group Accounts

These statements combine the revenue and balance sheet figures for the Council as a whole with those of separate entities in which the Council has a significant interest.

The Statement on the System of Internal Financial Control

This sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit.

2. General Fund Financial Position

Net Expenditure

Net expenditure for 2006/07 was £2.3m less than budget as a result of a number of factors. Outturn Service expenditure was £1.4m less than budget, with all Services reporting a net underspend against budget with the exception of Children's Services. Loan Charges and interest were £1m less than budget due to ongoing careful management of the Council's cashflows, the phasing of capital expenditure and continuing low levels of long-term interest rates which reduced the average Loans Fund interest rate to 6.35%. During the year further provision was made towards the retrospective costs of equal pay claims, which exceeded budget by £0.3m.

Additional income of £0.2m was generated from recovery of prior year outstanding Council Tax and Community Charge income. The Council Tax in year collection rate for 2006/07 represents 96.9% of total billings, being an increase of 0.1% from the previous year and is the highest collection rate amongst mainland authorities. Direct debit payments now account for 69% of total Council Tax income collection, being an increase of 1% from the previous year and again representing the highest level across all authorities.

The balance of the Council's revenue financing income comes mainly from Revenue Support Grant and Non Domestic Rates Income which are distributed by Central Government providing general support for the services we provide.

Scheme of Devolved Budget Management

The Council operates a Scheme of Devolved Budget Management, which offers a simple, robust and flexible approach to budget management within the context of 3-year budgeting, and improves the ability of Services to allocate resources effectively to achieve maximum benefit. A key component of the Scheme is a move away from year-on-year budget management to a regime where Services are expected to manage their budgets across years. To assist this, the Scheme permits Services to carry forward underspends up to a maximum of 2% of final approved budget. Services are also expected to recover any overspends in full during the following financial year.

Balances

Total General Fund balances (excluding HRA) amounted to £8.066m as at 31st March 2007, but includes a number of earmarked balances totalling £4.328m (excluding HRA) as outlined in note 15 to the Balance Sheet (page 33).

After taking account of earmarked balances, the net General Fund Balances available as at 31st March 2007 is therefore £3.738m and represents 2.1% of General Fund Budget. The requirement to make provision for the retrospective costs arising from equal pay claims has resulted in balances falling below the 2.5% target (£4.5m) of General Fund budget. As part of the 2007/08 budget deliberations, Council agreed that £0.8m would be budgeted for towards the reinstatement of balances.

3. Housing Revenue Account

The Housing Revenue Account (HRA) budget underspent by £0.168m in 2006/07. This position arose mainly as a result of savings in capital financing charges, increased income from house rents, government grants and interest on revenue balances and lower than budgeted void costs. HRA balances amounted to £1.645m at 31st March 2007 (£1.477m at 31st March 2006).

During Autumn 2006, a ballot was carried out amongst all Council housing tenants asking them to decide on whether all of the Council's housing stock should transfer to a new, not-for-profit organisation. The result of the ballot was a negative vote against the proposals for transfer.

4. Significant Trading Operations

The Local Government in Scotland Act 2003 requires local authorities to maintain and disclose trading accounts for Significant Trading Operations (STOs). Under this legislation, STOs are required to break-even over a rolling 3-year period.

As with General Fund and HRA service revenue accounts, STOs are also allocated capital charges for all fixed assets used in the provision of services. These charges equate to the annual provision for depreciation. As a means of determining the statutory breakeven position of STOs however, in addition to a depreciation charge, a capital financing charge is also allocated by applying a specified notional rate of interest to net asset values. This charge is represented by an element of loans fund interest where they use fixed assets on which there is outstanding debt. Total interest charged to STOs in 2006/07 was £0.716m. It should be noted that this charge is only recognised in determining the statutory outturn positions for STOs, and does not require to be reflected in the Income & Expenditure account.

Equal pay provisions have also been charged to STOs during 2006/07, impacting significantly on final outturn positions. The Council currently has seven STOs, of which Grounds Maintenance, Refuse Collection, Building Cleaning and Catering failed to achieve a break-even position during 2006/07.

The reported rolling 3-year statutory trading position for each of the STOs shows that Grounds Maintenance, Refuse Collection, Building Cleaning and Catering Services have also failed to meet their statutory objective to break even over the period 1st April 2004 to 31st March 2007.

In aggregate, the STOs achieved a surplus of £0.885m in 2006/07 (£0.157m deficit in 2005/06) after taking account of exceptional equal pay provisions and notional interest charges.

5. Capital Account

During 2006/07 the Council invested in new and existing fixed assets, such as land and buildings, in order to maintain and improve its services. From 1st April 2004, capital investment programmes have been determined with reference to the prudential code. The code is underpinned by a series of prudential indicators on capital expenditure, external debt and treasury management. The key objective of the prudential code is that Councils determine their own capital investment plans that are affordable, prudent and sustainable.

The final outturn for the General Services Capital Programme shows expenditure of £20.091m against a full year budget of £23.107m, an underspend of £3.016m. The reported variance arose mainly as a result of late receipt of capital grant monies, together with delays in scheme design, contract letting and negotiations for land acquisition. A planned underspend in respect of Lower Polmaise Restoration has also been assigned to meeting the costs of the recycling facility in 2007/08.

The final outturn for the Housing Capital Programme shows expenditure of £11.678m against available resources of £10.913m, an overspend of £0.765m.

The creation of a Sports Village as one of Stirling Council's corporate plan priorities is now underway following a successful tender process from which the council approved the design and build contractor. The innovative facilities will replace the 30 year old Rainbow Slides Leisure Centre and complement the existing Forthbank Stadium. Facilities will include swimming pools, a 9 court sports hall, a large fitness gym plus 3 fitness studios, six 5-a-side football pitches, a hockey pitch, a synthetic turf pitch, a climbing wall, an ice rink and a variety of social areas. A challenging, yet achievable, project programme is now in place and would see the facilities open in early 2009. Whilst the current estimated cost is £27.6m, significant progress has been made to secure external funding as part of the overall financing of this project.

6. Borrowing and Lending Arrangements

In accordance with the approved Treasury Management Strategy for 2006/07, activity during the year maintained the Council's loans portfolio on a strong low-risk, long-term footing whilst taking into account budget requirements to reduce the cost of debt. Key activities carried out during 2006/07 included:

- Short term investment of the Council's surplus cash balances.
- No new borrowing during the year due to the surplus of cash available to fund capital expenditure.
- No favourable opportunities for rescheduling Public Works Loan Board (PWL) debt

Prudent cash flow management reduced the cost of debt pool rate of interest to 6.35%, and resulted in savings against loan charges budgets of £1.029m for General Services and £0.246m for the Housing Revenue Account.

External Debt Levels and Treasury Management Performance complied with the 2006/07 Prudential Indicators as approved by the Council on 2nd March 2006.

7. Group Accounts

The Council has a controlling interest in a number of companies and joint ventures, which were set up to promote partnerships between the public and private sectors. The Group Financial Statements, which incorporate the most significant of these entities (pages 57 to 64) have been prepared in accordance with UK GAAP requirements. After consolidation, the accounts show a decrease in the reserves and net assets of £124.640m or 58.2%. The main reason for this reduction is the inclusion of pension fund deficits attributable to the Police, Fire and Valuation Joint Boards.

8. Schools PPP

On 21st April 2006, the Council concluded the Stirling Schools PPP Project Agreement with Stirling Gateway, a consortium established for the purpose of carrying out a major rebuilding programme covering five secondary schools within the area and a new community campus at Raploch. Construction commenced in May 2006 and is due

to be completed by August 2008. The estimated Unitary Charge is £9.048m from 2009/10 and will increase annually by inflation over the 31-year term of the contract. The Scottish Executive will provide additional funding towards the project of £4.29m per annum. Provision has already been made within budgets to meet the net budget affordability gap of £3.415m in 2009/10. The valuations of those existing school assets that will be replaced under the PPP project have been written down in the Balance Sheet to reflect their remaining useful lives (1-2 years). This has significantly increased the depreciation charge to the Income and Expenditure Account in 2006/07.

9. Lands Tribunal Claims

A claim before the Lands Tribunal for Scotland arising out of the Central Regional Council (Stirling Inner Relief Road) Compulsory Purchase Order 1988 has been previously noted in the Council's accounts and remains unresolved. In November 2005 the Council made an advance payment of compensation of £266,000 (inclusive of interest) and settlement negotiations are continuing. The matter returns to the Lands Tribunal later in 2007 when it is hoped that it will be possible to dismiss the claim. Provision has been established to cover the anticipated cost of settlement.

10. Pension Assets and Liabilities

The Council is required to comply with the accounting principles as required by Financial Reporting Standard 17 "Retirement Benefits". This requires the cost of retirement benefits to be recognised in the Financial Statements when employees earn them, rather than when the benefits are actually paid as pensions.

Disclosure requirements include figures for the Net Pension Asset/Liability and the Pension Reserve in the Balance Sheet. There are also entries in the Income and Expenditure Account and Statement of Movement in the General Fund Balances to reflect movements in the Net Pension Asset/Liability from one year to the next. Entries are also required to reconcile back to actual pension contributions payable for council tax purposes.

The overall impact of pension policy changes on the results of the prior and current accounting periods are as follows:

- Costs of individual services disclosed within the Income and Expenditure Account are 0.99% higher in 2006/07 after the replacement of employer's contributions with current service costs (1.43% higher in 2005/06).
- Net Operating Expenditure is 0.8% higher in 2006/07 than it otherwise would have been (2.29% higher in 2005/06).
- The requirement to recognise the Net Pension Liability in the Balance Sheet has reduced the reported net worth of the Council by 26.6% in 2006/07. (33.7% reduction in 2005/06)

Hymans Robertson, an independent firm of actuaries, has calculated a net liability position of £77.8m on the Local Government Pension Scheme as at 31st March 2007 (£97.7m as at 31st March 2006). The reported decrease in the net liability position is mainly due to an improvement in the long-term future expected investment returns for each class of asset held by the Pension Fund. The net liability has been calculated using updated actuarial information following the most recent formal fund valuation at 31st March 2005.

Employer's contributions to the pension fund are currently budgeted at 270% for 2007/08 with a further provision of 295% included in the draft budget for 2008/09 in line with actuarial advice. Both employer's contributions and pension investment returns will continue to be monitored on an ongoing basis. Further pension information is provided in note 8 of the Income and Expenditure Account (page 21) and note 12 of the Balance Sheet (page 31).

11. Statement on the System of Internal Financial Control

Local authorities are required to include within their statement of accounts a statement on the adequacy of the systems of internal financial control. This statement sets out the framework within which financial control is managed and reviewed within the Council and its associated group entities, together with the main components of the system, including the arrangements for internal audit (pages 65-66).

Signature
Date 26 September 2007

W. R. Watson

Willie Watson CPFA
Head of Resources

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain: A Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) ('the 2006 Code') and also with the guidance notes issued by CIPFA on the application of the Statement of Recommended Practice. Any exceptions to this are stated in the notes. The accounts have been prepared on the historical cost basis, with the exception of fixed assets, which are shown at current valuation. Prior year comparative figures are shown where appropriate.

2. Income and Debtors

Income includes all specific and material sums due to the Council for the year of account. Suitable provision has been made for all sundry debtors outstanding for more than 6 months since the date of issue. In addition, provision has been made for bad and doubtful council tax and non-domestic rates debts.

3. Expenditure and Creditors

Expenditure included in the accounts relates to services provided in the year of account. All salaries and wages earned up to 31st March 2007 are included in the accounts irrespective of when payment was made. Provision has been made on an actual or estimated basis for all known creditors. Sundry creditors are accrued on the basis of invoices passed for payment during the first three weeks following the year-end, together with specific accruals in respect of further material items.

Where applicable, expenditure and income have been reduced by the value of internal recharges occurring between Council services. Net costs are therefore only reflected in the Council service receiving the benefit.

4. Grants and Subsidies

Grants and subsidies have been credited to the appropriate Revenue and Capital Accounts, and accruals have been made for balances known to be receivable. Government grants and other contributions are recognised in the accounting statements when the conditions for their receipt have been complied with, and there is a reasonable assurance that the grant or contribution will be received.

Where the acquisition of a fixed asset is financed wholly or partially by a government grant or other contribution the relevant amount of grant or contribution is credited initially to the "Government Grants Deferred Account". Amounts are released over the useful life of the asset to match the depreciation charged on the asset to which it relates. Movements on the Government Grant Deferred Account are disclosed in note 13 of the Balance Sheet (page 33).

5. Operational Leases

Rental payments made under operating leases are charged to the appropriate Revenue Account on a straight-line basis, over the term of the lease. Rental income from Council owned leased assets are credited to the appropriate Revenue Account on a straight-line basis over the period of the lease. The amounts paid and received under these arrangements as at 31st March 2007 are disclosed in note 7 of the Income and Expenditure Account (pages 20-21).

Note 1f of the Balance Sheet (page 27) details the amount of assets held for use in operating leases by the Council. These are recorded as fixed assets in the balance sheet.

6. Support Services

The costs of Support Services have been charged to user Services by means of Service Support Partnership (SSP) agreements with charges to Corporate and Democratic Core included in Corporate Services. For most Services the basis of charge has been estimated staff time or unit of consumption, for example, costs of administrative buildings are recovered on the basis of floor area occupied by each Service. The surplus or deficit on Internal Trading that is within 2% of the budgeted charge is shown separately within the Income and Expenditure Account. If the surplus or deficit is greater than 2%, then it is charged/credited to Services on a basis agreed with customers.

7. Pension Costs

The Council has fully adopted the accounting principles as required by Financial Reporting Standard 17 "Retirement Benefits". This requires the cost of retirement benefits to be recognised in the Financial Statements when employees earn them, rather than when the benefits are actually paid as pensions.

Disclosure requirements include the Net Pension Asset/Liability and the Pension Reserve in the Balance Sheet, together with entries in the Income and Expenditure Account and Statement of Movement in the General Fund

Balances to reflect movements in the net pension asset/liability from one year to the next. Entries are also required to reconcile back to actual pension contributions payable for council tax purposes. Further information is provided in note 8 of the Income and Expenditure Account (page 21) and note 12 of the Balance Sheet (page 31).

8. Reserves

In Scotland, local authorities may only hold those reserves for which they have a statutory power. Schedule 3 to the Local Government (Scotland) Act 1975 empowers local authorities to establish a capital fund, a renewal and repair fund, and an insurance fund. Local authorities can allocate and utilise these resources as deemed appropriate. In cases where a statutory power does not exist to create a separate earmarked reserve, local authorities can choose to earmark a portion of the general fund.

The Council maintains a number of reserves and has also chosen to earmark elements of the General Fund, the purpose of which is explained in notes 15 to 17 of the Balance Sheet (pages 33-34).

9. Provisions

In accordance with FRS12 Provisions, Contingent Liabilities and Contingent Assets, a provision can only be established in the accounts if it meets the following criteria:

- The authority has a present obligation (legal or constructive) as a result of a past event.
- It is probable that a transfer of economic benefits will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

Provision has been made in respect of costs relating to outstanding insurance claims, anticipated residual costs arising from an outstanding land compensation claim and the retrospective costs arising from equal pay claims.

10. Valuation of Assets and Investments

Stock

Stocks have generally been valued in accordance with SSAP9 at the lower of cost and net realisable value. Certain stocks have been valued at latest invoice price. The difference between the policy adopted for stock and that required by the Accounting Code of Practice is not considered material.

Work In Progress

This has been valued at cost plus an appropriate proportion of overheads.

Investments

Dividend income is credited to revenue either when received or deemed receivable, whichever is the earlier. Investments in Trust Funds, Common Good Funds and other associated bodies are shown at the lower of cost or current market value. Details of the Council's involvement with Associated Bodies are disclosed in note 22 of the Balance Sheet (page 35).

11. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. The following methods have been used to present the value of assets:

Land and Buildings have been valued on the basis of open market value, open market value in existing use or depreciated replacement cost. The valuation is dependent on the nature of the asset as recommended by CIPFA and in accordance with the Statement of Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Where it is deemed that expenditure has enhanced value, then such enhancements are valued at cost subject to subsequent revaluation. All built assets are depreciated over their remaining life on a straight-line basis.

Council houses have been valued at open market value, discounted to reflect the right to buy regulations.

Infrastructure assets (including roads) are included in the balance sheet at historical cost net of depreciation, with acquisitions included at cost. Depreciation over the assets useful life is on a straight-line basis.

Community assets are included in the balance sheet at historical cost.

Vehicles, plant and equipment assets are included in the balance sheet at historical cost net of depreciation as a proxy for current value. Depreciation over the assets useful life is on a straight-line basis.

Receipts arising from the sale of fixed assets are utilised to finance current and future capital expenditure and to repay external debt. All capital receipts are initially credited to the Capital Receipts Reserve. Receipts used to fund capital programmes, to repay external debt, or to be applied against loans fund debt outstanding are transferred to the Capital Financing Account. The portion of receipts unused for these purposes remains in the Capital Receipts Reserve to be applied in future years.

12. Charges To Revenue

General Fund and HRA service revenue accounts, central support services and STOs are allocated capital charges for all fixed assets used in the provision of services. These charges equate to the annual provision for depreciation. As a means of determining the statutory breakeven position of STOs, in addition to a depreciation charge, a capital financing charge is also allocated by applying a specified notional rate of interest to net asset values.

Amounts set aside from revenue for the repayment of external loans to finance capital expenditure, or as transfers to other earmarked reserves, are disclosed separately within the Statement of Movement in General Fund Balances.

13. Depreciation

Depreciation of fixed assets is provided for on a straight-line basis in accordance with the following policies:

- **Land assets** have not been depreciated.
- **Building assets**, including Council Houses, have been depreciated over their useful lives on a straight-line basis, over 1-100 years.
- **Infrastructure assets** are depreciated on a straight-line basis, over 6-30 years.
- **Vehicle, Plant & Equipment assets** are depreciated on a straight-line basis based on expected life and estimated residual value, over 1-12 years.
- **Information Technology assets** are depreciated on a straight-line basis with an assumption of nil residual value, over 3 years.
- **Enhancement Expenditure** has been depreciated based on the mid year average asset value over the remaining useful life of the asset.

14. Impairment of Fixed Assets

The Council recognises the impairment of fixed assets in accordance with FRS11, whereby any reduction in asset value as a result of changing market conditions or clear consumption of an asset is recognised as an expense to the Service revenue account.

15. Repurchase of Borrowing

This relates to losses incurred on the early settlement of borrowing where the early settlement has been coupled with a refinancing or restructuring of borrowing, with substantially the same overall economic effect when viewed as a whole. Losses incurred have been recognised in the Income and Expenditure Account over the life of the replacement borrowing.

16. Loans Charges and Debt Redemption

Net capital expenditure is financed from the Council's loans fund, which is operated in accordance with Section 12 and Schedule 3 of the Local Government (Scotland) Act 1975. Provision for redemption of debt has been made on the basis of the annuity method of principal repayment over an appropriate period, up to a maximum of 60 years. Interest has been calculated and allocated to revenue accounts in accordance with the Local Authority (Scotland) Accounts Advisory Committee Guidance Note No.2. The basis for the allocation of interest and expenses of borrowing is the outstanding debt on each service at the start of the year with an appropriate adjustment for capital transactions during the year.

17. Covenant Schemes

Predecessor Councils entered into Covenant Financing Schemes to enhance their ability to spend on capital projects. Covenants involved entering into financing arrangements whereby borrowing for capital purposes is repaid in instalments over an agreed period. The instalment repayments, rather than the initial borrowing, counted against the Council's capital consent, thus enhancing spending power in the year the money was originally borrowed.

18. Contingent Liabilities

Contingent liabilities are not recognised in the accounting statements, but are instead disclosed by way of notes where there is a possible obligation which may require a future payment or transfer of economic benefits.

The Council has recognised two separate contingent liability issues in note 19 of the Balance Sheet (page 35). The first issue relates to the ongoing review of levels of employee pay and terms and conditions under the Single Status and Job Evaluation process. This extends to all levels of employees and has the broad aim of bringing together the terms and conditions of the manual and salaried workforces.

The second issue refers to the receipt of statutory grievances from individual employees on the basis of unequal pay compared to other groups of employees. These grievances may ultimately escalate to claims, and a provision has been included within the accounts to meet the estimated liabilities that may arise. The contingent liability represents the difference between the allocated provision and total potential costs that could arise.

19. Private Finance Initiative (PFI) – Balfroon High School

In March 2000, the Council entered into a PFI contract for the replacement of Balfroon High School. The new school became operational in August 2001. Following an analysis of the risks associated with the project, it was deemed that the Council does not have an asset of the property. The Council will inherit the school at nil cost at the end of the 25 year contract. Under the terms of the contract the Council “donated” the old school site to the developer.

The Council records the revenue costs relating to the payment of the PFI contract within the Children’s Services section of the Income and Expenditure Account. The charge to Children’s Services is adjusted downwards to reflect that part of the annual charge which represents a build-up of the residual asset value over the life of the contract. This adjustment is reflected in the Corporate and Democratic Core figure within the Income and Expenditure Account and as a Long Term Debtor, with the corresponding entry being within the Capital Financing Account in the Balance Sheet.

The charge to Children’s Services is also increased to reflect the fact that the annual charge has been decreased as a result of the “donated” asset. A corresponding entry is recorded in the Corporate and Democratic Core figure within the Income and Expenditure Account. The total value of adjustments relating to the “donated” asset are recorded in the Balance Sheet as a prepayment, with a corresponding credit to the Capital Financing Account. These entries are written down over the life of the project.

20. Prior Period Adjustments

In 2006/07 a prior period adjustment has been made in respect of the various revised requirements contained in the 2006 SORP (2005/06 None). The 2006 SORP contains significant changes to both the format and content of the Statement of Accounts in 2006/07, including the following three significant changes in accounting policy that affect the new Income & Expenditure Account:

- the removal of the notional interest element from capital charges
- the posting of credits for government grants/capital contribution write downs to service revenue accounts
- the inclusion of gains and losses on the disposal of fixed assets

In accordance with Financial Reporting Standard 3 (Reporting Financial Performance), the previous year figures have been restated on a comparative basis. This restatement has no impact on the movement in the General Fund Balance for 2005/06 or on the Net Assets shown in the Balance Sheet as at 31 March 2006. In summary, the main changes necessary to restate the accounts in line with the 2006 SORP are as follows:

- The replacement of the Consolidated Revenue Account with a new UKGAAP-compliant Income & Expenditure Account incorporating the three new accounting policies set out above.
- A new Statement of Movement on the General Fund Balance, together with a new supporting note analysing the reconciling items.
- A new Statement of Total Recognised Gains & Losses.
- Consequential changes to the Housing Revenue Account: a new HRA Income & Expenditure Account and a new Statement of Movement on the HRA Balance.
- Minor changes to the format of the Balance Sheet to reflect the presentation requirements of FRS25 (Financial Instruments: Presentation & Disclosure).
- Consequential changes to the Group Accounts including a new Reconciliation to the Single Entity Income & Expenditure Account and a new Group Statement of Total Recognised Gains & Losses.
- The regrouping and reordering of the core and supplementary financial statements (and the notes thereto).

STATEMENT OF RESPONSIBILITIES

1. The Authority

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

2. The Head of Resources

The Head of Resources is responsible for the preparation of the authority's statement of accounts. In terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), the accounts are required to present fairly the financial position of the authority including income and expenditure as at the accounting date.

In preparing this statement of accounts, the Head of Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Head of Resources has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

INCOME AND EXPENDITURE ACCOUNT

2005/06	2006/07			
Restated Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	Notes			
79,754	Children's Services	121,114	(15,132)	105,982
37,421	Community Services	59,777	(21,206)	38,571
24,471	Environment Services	47,489	(27,576)	19,913
1,346	Regeneration Services	15,137	(14,164)	973
7,756	Joint Boards: - Police	8,076	-	8,076
4,534	- Fire	4,634	-	4,634
788	- Valuation	871	-	871
1,412	Corporate Services	17,811	(16,504)	1,307
2,806	Corporate and Democratic Core	5,100	(1,660)	3,440
1,119	Non Distributable Costs	1,906	(2,724)	(818)
161,407	Net Cost of General Services	281,915	(98,966)	182,949
(2,562)	Housing Revenue Account	16,139	(18,031)	(1,892)
158,845	Net Cost of Services	298,054	(116,997)	181,057
(405)	Net (gain)/loss on the disposal of Fixed Assets			(305)
60	Net (surplus)/deficit on STO Accounts			(1,698)
9,940	Interest payable and similar charges			10,414
(1,156)	Interest and Investment Income			(2,046)
1,571	Pension Interest Costs & Expected Return On Assets	A8		678
168,855	Net Operating Expenditure			188,100
(40,673)	Council Tax	G		(43,089)
(30)	Community Charge			(16)
(92,869)	General Government Grants			(95,344)
(32,398)	Non Domestic Rates Redistribution	H		(32,038)
2,885	(Surplus)/Deficit For The Year			17,613

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that the Council is required to take account of when setting the Council Tax. The main differences being:

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

The following reconciliation statement summarises the differences between the surplus/deficit on the Income and Expenditure Account and the General Fund Balance.

2005/06 £'000		Notes	2006/07 £'000
2,885	(Surplus)/Deficit on the Income and Expenditure Account		17,613
534	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	B1	(22,651)
3,419	(Increase)/Decrease in General Fund Balance for the Year		(5,038)
(6,447)	General Fund Balance brought forward		(3,028)
(3,028)	General Fund Balance carried forward		(8,066)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2005/06 £'000		Notes	2006/07 £'000
2,885	(Surplus)/Deficit on the Income and Expenditure Account		17,613
(38,941)	Surplus Arising on Revaluation of Fixed Assets		(23,319)
7,084	Impairment losses due to Price Changes		5,993
10,802	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities		(21,384)
(125)	Other Miscellaneous (Gains)/Losses recognised in the year		(1,059)
(18,295)	Total Recognised (Gains)/Losses for the Year		(22,156)

Reconciled to Balance Sheet Movements:

Prior Year Balances:

(130,762)	Fixed Asset Restatement Account	C15, 16	(157,609)
(115,224)	Capital Financing Account	C15, 16	(124,044)
(1,230)	Capital Receipts Reserve	C15, 16	(1,230)
83,100	Pension Reserve	C15, 18	97,690
(9,597)	Other Reserves and Fund Balances	C15, 17	(6,815)
(173,713)			(192,008)

Current Year Balances:

(157,609)	Fixed Asset Restatement Account	C15, 16	(169,389)
(124,044)	Capital Financing Account	C15, 16	(109,129)
(1,230)	Capital Receipts Reserve	C15, 16	(1,230)
97,690	Pension Reserve	C15, 18	77,807
(6,815)	Other Reserves and Fund Balances	C15, 17	(12,223)
(192,008)			(214,164)
(18,295)	(Increase)/Decrease in Net Worth		(22,156)

BALANCE SHEET

2005/06			2006/07
Restated £'000		Notes	£'000 £'000
	Fixed Assets		
	<i>Operational Assets</i>		
124,919	Council Houses	C1a(i)	127,163
220,052	Other Land and Buildings	C1a(i)	204,402
10,625	Vehicles, Plant and Equipment	C1a(i)	10,899
42,827	Infrastructure Assets	C1a(i)	46,395
1,035	Community Assets	C1a(i)	1,564
	<i>Non Operational Assets</i>		
36,865	Investment Properties	C1a(i)	47,954
21,687	Assets Under Construction	C1a(i)	27,153
3,183	Surplus Properties	C1a(i)	5,537
461,193	Total Fixed Assets	C1a(ii) C2	471,067
3,313	Deferred Premiums on Early Repayment of Debt	C1b	3,234
4,016	Long Term Investments	C1c	4,016
13,109	Long Term Debtors	C1d	12,713
481,631	Total Long Term Assets		491,030
	Current Assets		
319	Stock and Work in Progress		442
18,065	Debtors and Prepayments	C5	17,872
17,424	Investments	C6	16,048
38	Cash		39
35,846			34,401
	Current Liabilities		
(373)	Borrowing Repayable on Demand or Within 12 Months	C7	(381)
(31,538)	Creditors	C8	(35,895)
(1,196)	Bank		(187)
(51)	Land Compensation Provision	C9	(247)
(700)	Insurance Provision	C10	(687)
(5,338)	Equal Pay Provision	C19	(3,407)
(4,305)	Temporary Advances to Loans Fund	C11	(3,321)
(43,501)			(44,125)
473,976	Total Assets Less Current Liabilities		481,306
(97,690)	Net Pension Liability	C12	(77,807)
(146,468)	Long Term Borrowing	C7	(146,189)
(37,810)	Government Grants Deferred Account	C13	(43,146)
192,008	Total Assets Less Liabilities	C14	214,164
	Represented By:		
(157,609)	Fixed Asset Restatement Account	C15, 16	(169,389)
(124,044)	Capital Financing Account	C15, 16	(109,129)
(1,230)	Capital Receipts Reserve	C15, 16	(1,230)
97,690	Pension Reserve	C12, 15, 18	77,807
(6,815)	Other Reserves and Fund Balances	C15, 17	(12,223)
(192,008)		C14	(214,164)

In my opinion the Abstract of Accounts presents fairly the financial position of the Council as at 31st March 2007 and its income and expenditure for the year then ended.

Signature
Date 26 September 2007

W. R. Watson

Willie Watson CPFA
Head of Resources

CASH FLOW STATEMENT

2005/06		2006/07
£'000		£'000
	Revenue Activities	
121,234	Cash Paid to and on Behalf of Employees	126,578
127,312	Other Operating Cash Payments	128,554
4,264	Housing Benefit paid out	4,579
<u>252,810</u>		<u>259,711</u>
(5,818)	Rents (after rebates)	(5,626)
(40,749)	Council Tax / Community Charge receipts	(43,049)
(35,283)	National Non Domestic Rate receipts	(35,475)
(90,316)	Revenue Support Grant	D4 (92,344)
(4,398)	DWP grants for benefits	D4 (4,438)
(23,532)	Other Government Grants	D4 (29,625)
(59,056)	Cash received for goods and services	(55,013)
(11,629)	Other operating cash receipts	(15,564)
<u>(270,781)</u>		<u>(281,134)</u>
(17,971)	Net cash (inflow)/outflow from Revenue Activities	D1 (21,423)
	Dividends from Joint Ventures and Associates	
(143)	Dividends Received	-
<u>(143)</u>	Net cash (inflow)/outflow from Dividends	<u>0</u>
	Returns on Investments and Servicing of Finance	
10,247	Interest Paid	8,914
(2,385)	Interest Received	(1,839)
<u>7,862</u>	Net cash (inflow)/outflow from Servicing of Finance	<u>7,075</u>
	Capital Activities	
3,889	Purchase of fixed assets	3,226
29,415	Other capital cash payments	32,123
<u>33,304</u>		<u>35,349</u>
(7,129)	Sale of fixed assets	(5,882)
(10,483)	Capital grants received	(10,394)
(5,316)	Other capital cash receipts	(4,585)
<u>(22,928)</u>		<u>(20,861)</u>
10,376	Net cash (inflow)/outflow from Capital Activities	14,488
	Acquisitions and Disposals	
-	Investments in Associates or Joint Ventures	-
(350)	Sales of Investments in Associates or Joint Ventures	-
<u>(350)</u>	Net cash (inflow)/outflow from Acquisitions and Disposals	<u>0</u>
(226)	Net cash (inflow)/outflow before Financing	140
	Management of Liquid Resources	
(3,678)	Net increase/(decrease) in short term deposits	D3 (1,376)
	Financing	
7,284	Repayments of amounts borrowed	D5 227
(5,625)	New loans raised	-
1,659	Net cash (inflow)/outflow from Financing	227
(2,245)	Net (Increase)/Decrease In Cash	D2, 6 (1,009)

NOTES TO THE CORE FINANCIAL STATEMENTS

A. Notes to the Income and Expenditure Account

1. Service Expenditure Analysis

Authorities in Scotland are required to present the net cost of services in accordance with the Best Value Accounting Code of Practice (BVACOP). The guidance prescribes a common format of mandatory divisions of service as follows, which authorities must adhere to when reporting on the net cost of services:

2005/06		2006/07		
Restated		Gross	Gross	Net
Net		Expenditure	Income	Expenditure
Expenditure		£'000	£'000	£'000
£'000				
2,069	Democratic Representation & Management	2,021	208	2,229
992	Corporate Management	1,071	(44)	1,027
(488)	Other Unapportionable Pension Adjustments	840	(1,384)	(544)
(121)	Net (surplus)/deficit on Internal Trading Services	451	-	451
210	Balfron PFI costs	210	-	210
-	Legal Costs Arising from Equal Pay Claims	148	-	148
136	HRA Share of Corporate & Democratic Core	121	-	121
98	Non Domestic Rates Discretionary Relief	102	-	102
-	Land Compensation Provision	62	-	62
27	Unapportionable Central Overheads - Properties	29	-	29
(4)	Other Miscellaneous Costs	26	-	26
-	Depreciation on Surplus Properties	13	-	13
(36)	Bad Debt Provision Adjustment	6	-	6
70	Equal Pay Provision - Corporate Services	-	-	0
(143)	Thistle II Ltd Dividend	-	-	0
-	Deferred Government Grants	-	(18)	(18)
(4)	Net (surplus)/deficit on Insurance Account	-	(203)	(203)
-	Council Tax / NDRI Penalty Charge Income	-	(219)	(219)
2,806	Corporate & Democratic Core	5,100	(1,660)	3,440
432	Pensions - Past Service Costs	-	(2,724)	(2,724)
687	Pensions - Settlements and Curtailments	1,906	-	1,906
1,119	Non Distributed Costs	1,906	(2,724)	(818)
272	District Courts	576	(301)	275
50	Elections	60	(3)	57
80	Emergency Planning	96	-	96
95	Licensing	189	(146)	43
622	Local Tax Collection	2,367	(1,693)	674
56	Registration of Births, Deaths & Marriages	246	(177)	69
1,175	Central Services To Public	3,534	(2,320)	1,214
788	Central Scotland Valuation Joint Board	871	-	871
788	Other Operating Income and Expenditure	871	0	871
5,888	Central Services	11,411	(6,704)	4,707
7,756	Police Services	8,076	-	8,076

2005/06		2006/07		
Restated				
Net		Gross	Gross	Net
Expenditure		Expenditure	Income	Expenditure
£'000		£'000	£'000	£'000
4,534	Fire Services	4,634	-	4,634
1,898	Cultural & Heritage	2,607	(703)	1,904
2,546	Library Service	2,965	(245)	2,720
7,320	Recreation and Sport	8,962	(714)	8,248
783	Tourism	952	(253)	699
12,547	Cultural & Related Services	15,486	(1,915)	13,571
12,124	Centrally Held Funding	20,146	(6,391)	13,755
61,370	Individual School Budgets	88,014	(3,514)	84,500
2,323	Non School Funding	3,599	(1,280)	2,319
75,817	Education Services	111,759	(11,185)	100,574
185	Burial Services	573	(338)	235
2,923	Environmental Health	3,225	(469)	2,756
417	Trading Standards	405	(53)	352
1,926	Waste Disposal	4,837	(4,419)	418
4,636	Waste Collection	7,295	(2,716)	4,579
10,087	Environmental Services	16,335	(7,995)	8,340
567	Housing Strategy	1,018	(76)	942
242	Housing Benefit Administration	13,738	(13,745)	(7)
(179)	Homelessness	1,182	(983)	199
(15)	Other Council Property	174	(150)	24
107	Private Sector Housing	1,968	(1,875)	93
89	Supporting People	4,335	(4,422)	(87)
811	Housing Services (General Fund)	22,415	(21,251)	1,164
(2,562)	Housing Revenue Account	16,139	(18,031)	(1,892)
436	Network and Traffic Management	467	(99)	368
(13)	Parking Services (On/Off Street Car Parking)	1,391	(2,048)	(657)
2,832	Public Transport	3,478	(1,969)	1,509
8,157	Highways And Roads Maintenance	8,239	(1,020)	7,219
846	Transport Planning Policy and Strategy	1,194	(419)	775
12,258	Roads & Transport Services	14,769	(5,555)	9,214

2005/06		2006/07		
Restated				
Net		Gross	Gross	Net
Expenditure		Expenditure	Income	Expenditure
£'000		£'000	£'000	£'000
(232)	Building Control	597	(1,066)	(469)
(1)	Development Control	523	(520)	3
440	Economic Development	2,318	(978)	1,340
185	Environmental Initiatives	-	-	0
758	Planning Policy	675	(19)	656
1,150	Planning And Development Services	4,113	(2,583)	1,530
5,862	Children and Families	7,584	(1,206)	6,378
52	Criminal Justice	4,837	(4,775)	62
261	Adults with Addiction and Substance Abuse	269	(68)	201
14,105	Older Persons	19,908	(5,753)	14,155
6,503	Adults with Learning Disabilities	7,736	(1,109)	6,627
687	Adults with Mental Health Needs	1,296	(640)	656
2,299	Adults with Physical or Sensory Disabilities	3,107	(910)	2,197
762	Service Strategy	800	(34)	766
30,531	Social Work	45,537	(14,495)	31,042
28	Significant Trading Operations	27,380	(27,283)	97
158,845	Net Cost of Services	298,054	(116,997)	181,057

2. (a) Corporate Services

Corporate Services not only provide direct services to the public, but also provide support to other Council Services. The Accounting Code of Practice requires that where support has been provided to another Council Service, the full cost of support must be charged to that Service.

An analysis of income and expenditure included within Corporate Services is shown below. The figures represent only those "front-line" elements of support service costs, i.e. only those areas of service provided direct to the public.

	Gross	Gross	Net
	Expenditure	Income	Expenditure
	£'000	£'000	£'000
Housing Benefit Administration	13,738	(13,745)	(7)
Local Tax Collection	2,367	(1,693)	674
District Court	576	(301)	275
Registration Services	246	(177)	69
Licensing Services	189	(146)	43
Elections	60	(3)	57
Emergency Planning	96	-	96
Corporate Services - Front-Line Services	17,272	(16,065)	1,207
Internal Works Carried Out By STOs	539	(439)	100
Total Corporate Services	17,811	(16,504)	1,307

(b) Corporate and Democratic Core

Corporate and Democratic Core includes the cost of democracy arising from the administration of the Council, together with those costs where allocation to individual Services would be deemed inappropriate due to the nature of the costs, such as unapportionable central overheads.

	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Democratic Representation & Management	2,021	208	2,229
Corporate Management	1,071	(44)	1,027
Other Pension Adjustments	840	(1,384)	(544)
Net (surplus)/deficit on Internal Trading Services	451	-	451
Balfour PFI costs	210	-	210
Legal Costs Arising from Equal Pay Claims	148	-	148
HRA Share of Corporate & Democratic Core	121	-	121
Non Domestic Rates - Discretionary Relief	102	-	102
Land Compensation Provision	62	-	62
Unapportionable Central Overheads - Properties	29	-	29
Other Miscellaneous Costs	26	-	26
Depreciation on Surplus Properties	13	-	13
Bad Debt Provision	6	-	6
Deferred Government Grants	-	(18)	(18)
Net (surplus)/deficit on Insurance Account	-	(203)	(203)
Council Tax / NDRI Penalty Charge Income	-	(219)	(219)
Corporate & Democratic Core	5,100	(1,660)	3,440

(c) Non Distributed Costs

In accordance with the Best Value Accounting Code of Practice, Non Distributed Costs (NDC) include those elements of retirement benefits costs (past service costs, settlements and curtailments) which are excluded from the definition of total costs of services.

	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Pensions - Past Service Costs	-	(2,724)	(2,724)
Pensions - Settlements and Curtailments	1,906	-	1,906
Non Distributed Costs (NDC)	1,906	(2,724)	(818)

3. Private Finance Initiative – Balfour High School

In March 2000, the Council signed a contract for the provision of a new High School at Balfour, together with associated Facilities Management Services under the Government's Private Finance Initiative. Construction of the school commenced in March 2000 and was completed in August 2001 with an estimated capital value of £14.4m. The contract period commenced in August 2001 and is due to run for 25 years to July 2026, at the end of which time ownership of the school will pass to the Council.

The Council makes annual payments of £1.987m under the contract (July 2001 prices - index linked), and receives £1.59m per annum of Level Playing Field support grant from the Scottish Executive as part funding for the project. The Council also makes an additional payment based on the number of meals provided. The net costs of the Balfour High School PFI agreement borne by the consolidated revenue account in 2006/07 was £2.044m (£2.064m, 2005/06).

4. Expenditure Under Section 5 of the Local Government Act 1986

Section 5 of the Local Government Act 1986 requires the Council to account separately for publicity expenditure incurred. An analysis is set out below:

2005/06 £'000		2006/07 £'000
364	Staff Recruitment & Advertising	228
24	Tourism & Business Promotion	15
149	Advertising & Promotional Initiatives	141
209	Publicity & Marketing	210
<u>746</u>		<u>594</u>

5. Agency Income and Expenditure

The Council undertakes certain functions on behalf of other organisations and receives reimbursement of the cost. The main areas where the Council carried out such work are as follows:

2005/06 Restated £'000		2006/07 £'000
216	Scottish Water	211
(45)	New Roads & Street Works	(27)
<u>171</u>		<u>184</u>

6. Local Authorities (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During 2006/07 the Council received income through provision of the following services to other public bodies:

2005/06 £'000		2006/07 £'000
(25)	Grounds Maintenance	(25)
(36)	Cleaning	(33)
(242)	Catering	(246)
(861)	Maintenance of roads & car parks	(1,736)
<u>(1,164)</u>		<u>(2,040)</u>

7. Lease Commitments

Details of the Council's payment obligations under operating leases are as follows:

Actual Lease Payments 2005/06 £'000		Actual Lease Payments 2006/07 £'000	Committed Lease Payments 2007/08 £'000	2007/08 Committed Lease Payments Analysed Between:		
				Leases Expiring During 2007/08 £'000	Leases Expiring Between 2008/09 & 2011/12 £'000	Leases Expiring From 2012/13 Onwards £'000
960	Property	906	1,067	37	84	946
532	Plant & Machinery	224	200	59	141	-
<u>1,492</u>		<u>1,130</u>	<u>1,267</u>	<u>96</u>	<u>225</u>	<u>946</u>

There were no payments made under finance leases during 2006/07.

Operating lease property rentals receivable by the Council during 2006/07 were as follows:

2005/06 £'000		2006/07 £'000
<u>(3,447)</u>	Operating Leases	<u>(4,575)</u>
<u><u>(3,447)</u></u>		<u><u>(4,575)</u></u>

No finance lease rentals were receivable by the Council during 2006/07.

Note 1f of the Balance Sheet (page 27) outlines the level of assets held for use in operating leases as at 31st March.

8. Pension Costs

The Council participates in two different pension schemes that meet the needs of virtually all employees. Both schemes provide members with defined benefits related to pay and pensionable service.

Teachers

This is an unfunded scheme administered by the Scottish Public Pensions Agency (SPPA). Although the scheme is unfunded, the SPPA uses a notional fund as a basis for calculating the employer's contribution rate. In 2006/07 the Council paid £4.08m to the Scottish Executive in respect of teachers' pension costs, which represents 12.5% of teachers' pensionable pay. (£3.95m, representing 12.5% of pensionable pay in 2005/06).

The Council is also required to meet the cost of benefits arising from compensatory added years (including any related increases), as well as costs arising from the early release of benefits in the Teachers Pension Scheme. In 2006/07, these amounted to £0.7m, representing 2.14% of pensionable pay (£0.7m, representing 2.2% of pensionable pay in 2005/06).

Other Employees

Other employees, subject to certain qualifying criteria are eligible to join the Local Government Pension Scheme.

In 2006/07 the Council paid an employer's contribution of £7.4m into the Pension Fund representing 14.2% of pensionable pay (£6.31m, representing 12.4% of pensionable pay in 2005/06).

The increase in costs from 2005/06 is attributable to the stepping up of the employer's contribution rate from 210% to 240% of employee contributions as specified by the Fund Actuary in the most recent formal fund valuation as at 31st March 2005, and also as a result of new employees joining the fund. The Actuary has set a contribution rate of 270% of employee contributions for 2007/08.

Financial Reporting Standard 17 "Retirement Benefits" requires the cost of retirement benefits to be recognised in the Financial Statements when they are earned by employees, rather than when the benefits are actually paid as pensions. This requires disclosure of the Net Pension Asset/Liability and the Pension Reserve in the Balance Sheet, together with entries in the Income and Expenditure Account and Statement of Movement in the General Fund Balances to reflect movements in the net pension asset/liability from one year to the next. Entries are also required to reconcile back to actual pension contributions payable for council tax purposes.

Under Financial Reporting Standard 17 "Retirement Benefits", the Net Pension Asset/Liability to be recognised is made up of two main elements:

- Liabilities – the retirement benefits that have been promised under the formal terms of a pension scheme. Liabilities must be measured on an actuarial basis by estimating the future cash flows that will arise from the liabilities (based on such things as mortality rates, employee turnover rates and salary growth) discounted to present values.
- Assets – the authority's attributable share of the investments (if any) held in the pension scheme to cover the liabilities, measured at fair value at the balance sheet date.

The movement on the Pension Asset/Liability must be analysed into the following constituents:

- Current Service Cost – the increase in liabilities expected to arise from employee service in the current period.
- Past Service Costs – the increase in liabilities related to employee service in prior periods arising from the improvement of retirement benefits in the current period.
- Gains and losses on Settlements & Curtailments – changes in liabilities relating respectively to actions that relieve the employer of primary responsibility for a pension obligation (e.g. a group of employees being transferred to another scheme) or events that reduce the expected years of future service of employees or reduce the accrual of defined benefits over their future service (e.g. closing a business unit).
- Interest Cost – the expected increase during the year in the present value of liabilities because the benefits are one year closer to settlement.
- Expected Return on Assets – the average rate of return expected on the actual assets held in the pension scheme.
- Actuarial Gains & Losses – changes that arise because events have not coincided with actuarial assumptions made at the last scheme valuation (experience) or the assumptions have changed.

The following pension transactions have been recorded in the Income and Expenditure Account:

31/3/06 £'000		31/3/07 £'000
	<u>Income and Expenditure Account</u>	
	Net Cost of Services:	
9,097	Current Service Cost	11,383
432	Past Service Cost	(2,724)
687	Settlements & Curtailments	1,906
	Net Operating Expenditure:	
14,000	Interest Cost	15,757
(12,429)	Expected Return on Assets in the Scheme	(15,079)
<u>11,787</u>	Net Charge to the Income and Expenditure Account	<u>11,243</u>
	<u>Statement of Movement in the General Fund Balance</u>	
(11,787)	Reversal of net charges made for retirement benefits in accordance with FRS17	(11,243)
	Actual amount charged against the General Fund Balance for pensions in the year:	
<u>7,999</u>	Employers Contributions payable to the Scheme	<u>9,742</u>

Note 12 of the Balance Sheet (page 31) outlines the assumptions made in estimating the figures included above.

9. Members' Allowances

Total allowances paid to Elected Members of the Council during 2006/07 were £0.325m. (£0.317m in 2005/06).

10. Officers' Remuneration

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

2005/06 Restated			Remuneration band	2006/07		
Non Teaching Staff	Teaching Staff & Educational Advisers	Total Staff		Non Teaching Staff	Teaching Staff & Educational Advisers	Total Staff
19	8	27	£50,000 - £59,999	13	14	27
2	7	9	£60,000 - £69,999	15	7	22
-	-	0	£70,000 - £79,999	-	-	0
3	-	3	£80,000 - £89,999	4	-	4
1	-	1	£90,000 - £99,999	1	-	1
25	15	40		33	21	54

11. Related Parties

The Accounting Code of Practice requires disclosure as a note to the Income and Expenditure Account of material transactions with related parties not disclosed elsewhere within the Statement of Accounts, and disclosure of amounts due to or from related parties as a note to the Balance Sheet. In this context, related parties include central government, other local authorities, subsidiary and associated companies, joint ventures and joint venture partners, elected Members and Chief Officers and the Local Government Superannuation Fund.

Transactions between the Council and its Elected Members can be ascertained from the Statutory Register of Members' Interests. The Director of Corporate Services who maintains the Register has indicated that there is nothing material to disclose.

For 2006/07 the following represents material transactions with other related parties which are not separately disclosed elsewhere within the Statement of Accounts.

2005/06 £'000		2006/07 £'000
1,346	Forth Valley NHS Primary Care Trust	1,001
1,272	Clackmannanshire Council	1,018
4,419	Falkirk Council	1,519
7,037		3,538

12. Audit Costs

The Council paid the following fees during 2006/07 in relation to external audit and inspection:

2005/06 Restated £'000		2006/07 £'000
270	For external and other audit work carried out by the appointed auditor	276
(25)	Rebate provided on agreed audit fees	-
245		276

B. Notes to the Statement of Movement on the General Fund Balance

1. Explanation of the Significance of the Statement of Movement on the General Fund Balance

2005/06 £'000		2006/07 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(11,685)	Depreciation of fixed assets	(36,755)
(701)	Impairment of fixed assets	48
1,316	Government Grants Deferred amortisation	2,870
405	Net gain/(loss) on sale of fixed assets	305
-	Notional Interest Allocations - Stock Balances	(12)
(11,787)	Net charges made for retirement benefits in accordance with FRS17	(11,243)
(22,452)		(44,787)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
8,487	Loans Fund principal repayments	8,555
5,863	Capital expenditure charged in-year to the General Fund Balance	3,375
7,999	Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	9,742
22,349		21,672
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
633	Transfer to/(from) HRA Balances	168
4	Transfer to/(from) Insurance Reserve	296
637		464
534	Net additional amount required to be debited/(credited) to the General Fund balance for the year	(22,651)

2. General Fund Balances

Under the terms of the Scheme of Devolved Management to Schools, they are permitted to carry forward to the following year up to a maximum of 2.5% of total devolved budget. An earmarked sum of £0.83m has been set aside within General Fund balances (2005/06 £0.29m).

C. Notes to the Balance Sheet

1. Long Term Assets

(1a) (i) Movement in Fixed Assets 2006/07 - By Class of Asset

Operational Assets

	Council Houses £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	TOTAL £'000
Net Book Value as at 31st March 2006	124,586	219,927	11,017	42,825	1,046	399,401
Restatements	333	125	(392)	2	(11)	57
Restated Net Book Value 31st March 2006	124,919	220,052	10,625	42,827	1,035	399,458
Gross Book Value 31st March 2006	147,220	242,925	20,325	54,594	1,062	466,126
Accumulated Depreciation	(22,301)	(22,873)	(9,700)	(11,767)	(27)	(66,668)
Net Book Value 31st March 2006	124,919	220,052	10,625	42,827	1,035	399,458
Movements in 2006/07						
Additions	11,653	8,147	3,452	5,432	361	29,045
Enhancements - no added value	(2,767)	(2,888)	0	(33)	(73)	(5,761)
Disposals	(5,443)	0	(12)	0	0	(5,455)
Revaluations/Restatements	2,380	6,755	(1)	0	246	9,380
Impairments	0	0	(159)	0	0	(159)
Write back of previous impairments	0	207	0	0	0	207
Depreciation current	(3,269)	(27,793)	(2,719)	(1,741)	(5)	(35,527)
Depreciation additions	(238)	(78)	(276)	(90)	0	(682)
Depreciation disposals	(72)	0	(11)	0	0	(83)
Net Book Value 31st March 2007	127,163	204,402	10,899	46,395	1,564	390,423

Non-Operational Assets

	Assets under Construction £'000	Surplus Assets £'000	Investment Properties £'000	TOTAL £'000
Net Book Value as at 31st March 2006	21,673	3,072	37,047	61,792
Restatements	14	111	(182)	(57)
Restated Net Book Value 31st March 2006	21,687	3,183	36,865	61,735
Gross Book Value 31st March 2006	21,687	3,491	38,572	63,750
Accumulated Depreciation	0	(308)	(1,707)	(2,015)
Net Book Value 31st March 2006	21,687	3,183	36,865	61,735
Movements in 2006/07				
Additions	5,465	0	230	5,695
Enhancements - no added value	(7)	0	(229)	(236)
Disposals	0	0	(26)	(26)
Revaluations/Restatements	9	2,368	11,562	13,939
Impairments	0	0	0	0
Write back of previous impairments	0	0	0	0
Depreciation current	(1)	(14)	(422)	(437)
Depreciation additions	0	0	0	0
Depreciation disposals	0	0	(26)	(26)
Net Book Value 31st March 2007	27,153	5,537	47,954	80,644

(1a) (ii) Movement in Fixed Assets 2006/07 – By Account

	General Services £'000	Housing Revenue A/c £'000	Significant Trading Ops £'000	TOTAL £'000
Net Book Value at 31st March 2006	320,971	136,491	3,731	461,193
Restatements	(334)	1,317	(983)	0
Restated Net Book Value at 31st March 2006	320,637	137,808	2,748	461,193
Gross Book Value at 31st March 2006	367,916	157,461	4,499	529,876
Accumulated Depreciation	(47,279)	(19,653)	(1,751)	(68,683)
Net Book Value at 31st March 2006	320,637	137,808	2,748	461,193
Movements in 2006/07				
Additions	22,029	11,653	1,058	34,740
Enhancements - no added value	(3,230)	(2,767)	-	(5,997)
Disposals	(26)	(5,443)	(12)	(5,481)
Revaluations/Restatements	21,473	1,846	-	23,319
Impairments	-	-	(159)	(159)
Write back of previous impairments	207	-	-	207
Depreciation - total	(32,427)	(3,740)	(588)	(36,755)
Net Book Value at 31st March 2007	328,663	139,357	3,047	471,067

(1a) (iii) Summary of Capital Expenditure And Receipts 2006/07 - By Class of Asset

	Council Houses £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Non- Operational Assets £'000	Other Capital Expenditure £'000	TOTAL £'000
Capital Expenditure	11,653	8,147	3,452	5,432	361	5,695	15	34,755
Capital Receipts	(7,596)	(2,968)	(2,364)	(3,126)	(499)	(2,672)	-	(19,225)
Loans Fund Advances	4,057	5,179	1,088	2,306	(138)	3,023	15	15,530

Note: Other Capital Expenditure includes expenditure on house loans.

Capital Receipts include asset sales, grants & contributions received and funding from revenue (CFCR).

(1b) Deferred Premiums

	Balance at 1/4/06 £'000	Charge to Expenditure in Year £'000	Revenue in Year £'000	Balance at 31/3/07 £'000
Premium on early Debt Redemption	3,313	-	(79)	3,234
	3,313	0	(79)	3,234

(1c) Long Term Investments

31/3/06 £'000		31/3/07 £'000
15	Stirling Enterprise Park	15
2,990	City of Stirling Business Parks (Investments) Ltd	2,523
541	City of Stirling Business Parks Ltd	1,008
294	Venture Forth Ltd	294
176	SEEDCO Ltd	176
4,016		4,016

(1d) Long-Term Debtors

	Police Debt £'000	Loans for Housing £'000	Balfron PFI £'000	Total Debtors £'000
Balance as at 1st April 2006	11,503	261	1,345	13,109
Police Debt due to Loans Fund	(637)	-	-	(637)
Balfron High School (see note)	-	-	288	288
House Loan Advances	-	15	-	15
House Loan Repayments	-	(62)	-	(62)
Balance as at 31st March 2007	10,866	214	1,633	12,713

Note: Under the terms of the Balfron High School PFI agreement, ownership of the school will pass to the Council when the contract terminates in July 2026. The estimated residual value of the school is therefore accumulated over time and reflected in the annual accounts as a long-term debtor.

(1e) Gross capital expenditure for the year to 31st March 2007 was financed as follows:

	£'000	£'000	£'000
Advance from Loans Fund			15,530
Capital Income:			
Sale of Assets - House Sales	5,491		
Sale of Assets - Other Sales	206		
Capital Receipts	1,024		
Grants and Contributions	9,128	15,850	
			19,225
CFCR - General Services	1,329		
CFCR - Housing Revenue Account	2,046	3,375	
			34,755

(1f) Leases

Assets held for use in operating leases as at 31st March were as follows:

2005/06 £'000		2006/07 £'000
<u>105,479</u>	Assets held for use in Operating Leases	<u>148,276</u>

Note 7 to the Income and Expenditure Account (page 20) outlines the Council's payment obligations under operating leases.

2. Information On Assets Held

As at 31st March 2007, the number of fixed assets owned by the Council include the following:

	Restated Assets as at 31/3/07
Operational Buildings	
Community Centres / Halls	34
Art and Entertainment Venues	2
Car Parks	38
Depots	7
Industrial Premises	121
Libraries	17
Council Offices	42
Public Conveniences	30
Shops	63
Sports Clubs/Facilities	26
Day Care Centres	1
Primary Schools	43
Secondary Schools	6
Special Education Properties	1
Nursery Schools	11
Residential Care Homes for the Elderly	3
Other Residential Homes	1
Infrastructure Assets	
Bridges	20
Memorials/Street Furniture	49
Community Assets	
Cemeteries/ Churchyards	67
Parks, Open Spaces and Play Areas	217

3. Capital Commitments

As at 31st March 2007, the Council had the following major contracts in place and was committed to expenditure as follows:

Description	Amount £000's
General Services	
Sports Village	23,127
Bannockburn High School	2,123
	<u>25,250</u>
Housing Services	
Structural Works	875
Kitchen, Bathroom & Central Heating Replacement - Council Houses	60
	<u>935</u>

4. Valuation Disclosure

The freehold and leasehold properties comprising the Council's property portfolio were initially valued as at 31st March 1995 by a combination of internal and external valuers. Since 1999, all of the Council's properties have undergone further revaluation by internal valuers in accordance with a 5-year rolling programme of valuations.

All valuations have been carried out in accordance with the Statements of Asset and Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors. Additions to asset values have been included at cost.

Properties regarded as operational have been valued on the basis of market value for existing use, or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Properties

regarded by the authority as non-operational have been valued on the basis of open market value, open market value for alternative use, or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Council houses have been re-valued on the basis of open market value discounted to reflect right-to-buy regulations.

The valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole.

5. Debtors and Prepayments

2005/06			2006/07	
£'000	£'000		£'000	£'000
6,179		Council Tax	6,337	
<u>(5,550)</u>	629	<u>Less: Provision</u>	<u>(5,462)</u>	875
1,988		Non Domestic Rates	2,030	
<u>(1,200)</u>	788	<u>Less: Provision</u>	<u>(1,135)</u>	895
1,745		Housing Rents	1,230	
<u>(887)</u>	858	<u>Less: Provision</u>	<u>(825)</u>	405
4,176		Sundry Debtors	3,865	
<u>(777)</u>	3,399	<u>Less: Provision</u>	<u>(862)</u>	3,003
-		Council Tax/NDRI Penalty Charge Income	878	
<u>-</u>	0	<u>Less: Provision</u>	<u>(659)</u>	219
10,794		Accrued Income and General Prepayments	10,957	
<u>1,597</u>	12,391	Balfron High School Site Prepayment	<u>1,518</u>	12,475
	<u>18,065</u>	Balance per Balance Sheet		<u>17,872</u>

6. Investments

As at 31st March 2007, the Council had the following funds invested short term with other organisations:

2005/06			2006/07	
£'000	£'000		£'000	£'000
3,150		Local Authorities	9,600	
-		West Bromwich Building Society	2,600	
3,150		Royal Bank of Scotland Money Market Services	2,300	
-		Northern Rock Plc	1,000	
124		Corporate Money Market Account	548	
5,000		Bank of Scotland Base Plus Account	-	
3,000		Bradford & Bingley PLC	-	
3,000		Alliance & Leicester Commercial Bank	-	
<u>17,424</u>		Total Short Term Investments	<u>16,048</u>	

7. Loans Outstanding

The following loans were raised to finance the capital expenditure of the Council. The source of these loans as at 31st March 2007 was as follows:

As at 31/3/06 £'000		As at 31/3/07 £'000
Borrowing Repayable on Demand or Within 12 Months		
(100)	Public Works Loans Board	(100)
(150)	Covenant	(150)
(22)	European Investment Bank	(24)
(7)	Local Lenders	(7)
(94)	Temporary Loans	(100)
<u>(373)</u>		<u>(381)</u>
Long Term Borrowing		
(144,078)	Public Works Loans Board	(143,978)
(1,150)	Covenant Schemes	(1,000)
(177)	European Investment Bank	(154)
(1,000)	Market Bonds	(1,000)
(63)	Local Lenders	(57)
<u>(146,468)</u>		<u>(146,189)</u>
Maturity Periods:		
(281)	Repayable in 1-2 years	(276)
(889)	Repayable in 2-5 years	(2,899)
(15,273)	Repayable in 5-10 years	(17,740)
(49,063)	Repayable in 10-20 years	(52,355)
(15,554)	Repayable in 20-30 years	(7,512)
(65,408)	Repayable in more than 30 years	(65,408)
<u>(146,468)</u>		<u>(146,189)</u>
<u>32 Years</u>	Average Maturity Period	<u>31 Years</u>

8. Creditors

2005/06 £'000		2006/07 £'000
(22,588)	Total Accruals and Deferred Income	(23,779)
(7,127)	Creditors - Other and Trade	(8,380)
(1,823)	Loans Fund Creditors	(3,736)
<u>(31,538)</u>	Balance per Balance Sheet	<u>(35,895)</u>

9. Land Compensation Provision

A claim before the Lands Tribunal for Scotland arising out of the Central Regional Council (Stirling Inner Relief Road) Compulsory Purchase Order 1988 has been previously noted in the Council's accounts and remains unresolved. In November 2005 the Council made an advance payment of compensation of £266,000 (inclusive of interest) and settlement negotiations are continuing. The matter returns to the Lands Tribunal later in 2007 when it is hoped that it will be possible to dismiss the claim. Provision has been established to cover the anticipated cost of settlement.

	Balance at 31/3/06 £'000	Movement 2006/07 £'000	Balance at 31/3/07 £'000
Land Compensation Provision	(51)	(196)	(247)
	<u>(51)</u>	<u>(196)</u>	<u>(247)</u>

10. Insurance Provision

The following represents the insurance provision in respect of the self-funded elements of Property, Liability and Motor claims which remain unsettled as at 31st March:

	Balance at 31/3/06 £'000	Movement 2006/07 £'000	Balance at 31/3/07 £'000
Property	(18)	13	(5)
Liability	(35)	21	(14)
Motor	(6)	-	(6)
Combined Liability/Motor	(641)	(21)	(662)
	<u>(700)</u>	<u>13</u>	<u>(687)</u>

11. Temporary Advances (to)/from Loans Fund

2005/06 £'000		2006/07 £'000
(3,218)	Central Scotland Joint Police Board	(1,717)
(1,089)	Common Good and Trust Funds	(1,551)
-	Criminal Justice Authority	(48)
(5)	Smith Art Gallery and Museum	(6)
<u>7</u>	Active Stirling	<u>-</u>
<u>(4,305)</u>	Temporary Advances (to)/from Loans Fund	<u>(3,321)</u>

12. Pension Assets and Liabilities

As part of the terms and conditions of employment, the Council offers retirement benefits to its employees. Although these benefits will not actually be payable until participating employees retire, the Council has a commitment to making the payments that need to be disclosed at the time that the employees earn their future pension entitlement. As explained in note 8 of the Income and Expenditure Account (page 21), the Council participates in two formal pension schemes:

- **The Local Government Pension Scheme** for all employees other than teachers. This is a funded scheme, meaning that the Council and eligible employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets. Accrued pension costs at 31st March 2007 amounted to £0.64m (£0.53m 2005-06).
- **The Teachers' Pension Scheme** for teaching employees administered by the Scottish Public Pensions Agency (SPPA). Although the scheme is unfunded, the SPPA uses a notional fund as a basis for calculating the employer's contribution rate. Accrued pension costs at 31st March 2007 amounted to £0.34m (£0.33m 2005-06).

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

In 2006/07, pension costs have been charged to the Income and Expenditure Account in respect of employer contributions (paid to Falkirk Council Pension Fund and SPPA) and unfunded benefits paid to former employees. As at 31st March 2007, the Council's share of pension fund assets and liabilities under the Local Government Pension Scheme included in the Balance Sheet are as follows:

31/3/06 £'000		31/3/07 £'000
220,887	Estimated Assets in Local Government Pension Scheme	239,369
(292,362)	Estimated Liabilities in Local Government Pension Scheme	(290,364)
<u>(26,215)</u>	Estimated Liabilities from Unfunded Discretionary Benefits	<u>(26,812)</u>
<u>(97,690)</u>	Net Pension Liability	<u>(77,807)</u>

The main movements in the net pension liability during the year were as follows:

Year to 31/3/06 £'000		Year to 31/3/07 £'000
(83,100)	Net Pension Liability as at 1st April	(97,690)
(9,097)	Current Service Cost	(11,383)
6,532	Employer contributions payable to the Scheme	8,182
1,467	Contributions in respect of Unfunded Benefits	1,560
(432)	Past service costs	2,724
(687)	Impact of settlements and curtailments	(1,906)
12,429	Expected return on Employer Assets in the Scheme	15,079
(14,000)	Interest on Pension Scheme Liabilities	(15,757)
(10,802)	Actuarial gains/(losses)	21,384
(97,690)	Net Pension Liability as at 31st March	(77,807)

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson, an independent firm of Actuaries, has assessed both the liabilities arising from the Local Government Pension Scheme and from the award of unfunded discretionary benefits. The main assumptions used in their calculations have been are as follows:

31/3/06 %		31/3/07 %
Per Annum		Per Annum
3.1%	Price increases	3.2%
4.6%	Salary increases	4.7%
3.1%	Pension increases	3.2%
4.9%	Discount rate	5.4%

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31st March 2006 for the year to 31st March 2007) and are as follows:

<u>As At 31 March 2006</u>				<u>As At 31 March 2007</u>		
Long Term		Expected		Long Term		Expected
Return	Fund Value	Annual		Return	Fund Value	Annual
%	£'000	£'000		%	£'000	£'000
7.4%	162,010	11,989	Equities	7.8%	174,849	13,638
4.6%	28,914	1,330	Bonds	4.9%	32,755	1,605
5.5%	22,867	1,258	Property	5.8%	25,796	1,496
4.6%	7,096	326	Cash	4.9%	5,969	292
6.7%	220,887	14,903	Total	7.1%	239,369	17,031

For both Local Government Pension Scheme and Teachers' early retirements, the Actuary has made further assumptions regarding the impact of new pension commutation arrangements, whereby members can exchange part of their pension for additional tax-free cash. The assumptions are that 25% of members who were entitled to elect additional tax-free cash have done so up to permitted limits.

Note 18 of the Balance Sheet (page 34) details costs that have arisen through the year where estimates made in preparing figures for previous years have had to be revised (e.g. the expected return on investments).

13. Government Grant Deferred Account

The movement on the Government Grant Deferred Account in 2006/07 was as follows:

	General Services £'000	Housing Revenue A/c £'000	TOTAL £'000
Opening Balance at 1st April 2006	(34,503)	(3,307)	(37,810)
Add Grants/Contributions received	(8,952)	(176)	(9,128)
Less amounts written down	3,727	65	3,792
Balance as at 31st March 2007	<u>(39,728)</u>	<u>(3,418)</u>	<u>(43,146)</u>

14. Net Assets

An analysis of Net Assets (Total Assets less Liabilities) shown in the Balance Sheet is given below:

2005/06 £'000		2006/07 £'000
111,489	General Fund	123,738
82,441	Housing Revenue Account	89,324
<u>(1,922)</u>	Significant Trading Operations	<u>1,102</u>
<u>192,008</u>	Total Net Assets	<u>214,164</u>

15. Reserves and Fund Balances

	Balance at 31/3/06 £'000	Movement 2006/07 £'000	Balance at 31/3/07 £'000
Pension Reserve			
FRS17 Pension	97,690	(19,883)	77,807
Capital Reserves			
Fixed Asset Restatement Account	(157,609)	(11,780)	(169,389)
Capital Financing Account	(124,044)	14,915	(109,129)
Capital Receipts Reserve	(1,230)	-	(1,230)
	<u>(282,883)</u>	<u>3,135</u>	<u>(279,748)</u>
Revenue Reserves and Fund Balances			
General Fund	(3,028)	(5,038)	(8,066)
Housing Revenue Account (earmarked portion of General Fund)	(1,477)	(168)	(1,645)
Insurance Fund	(2,060)	(202)	(2,262)
Repairs and Renewals Fund	(250)	-	(250)
	<u>(6,815)</u>	<u>(5,408)</u>	<u>(12,223)</u>

The total General Fund Reserve as at 31st March 2007 is £9.711m and includes the following earmarked balances:

	Balance at 31/3/07 £'000
Housing Revenue Account reserves	1,645
Raploch Urban Regeneration Company Ltd grant monies	923
Scheme of Devolved Budget Management to Schools and Services within Education	830
Income from Council Tax discount on 2nd homes for reinvestment in affordable housing	785
Insurance settlement monies relating to fire damage at Polmaise Waste Transfer Station	500
Monies carried forward under the Scheme of Devolved Budget Management	456
Central Scotland Business Parks - interest income from loan investments	399
Income from Council Tax and Non Domestic Rates penalty charges	219
Supporting People grant monies	216
	<u>5,973</u>

When all of the earmarked items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £3.738m, representing 2.1% of General Fund Budget (£2.151m representing 1.3%, 2005/06).

The holding of uncommitted balances is generally recognised as good professional practice and is a key element of a sound and prudent financial management strategy. The uncommitted element of the General Fund balance provides a contingency against unexpected events that necessitate expenditure not previously budgeted for. It also acts as a working balance to minimise overdraft positions resulting from uneven cash flows. In line with proper accounting practice, the Council has an agreed protocol covering the purpose, utilisation, management, control and review of all of its reserves and balances. In respect of the General Fund balances, this includes an annual review of the adequacy of these balances after taking into account the strategic, operational and financial risks facing the Council. This review is carried out as part of the budget-setting process and generally informs decisions as to any use of balances in setting the Council Tax level.

16. Capital Reserves

The Fixed Asset Restatement Account represents the difference between the valuation of assets under the previous system of capital accounting and subsequent asset revaluations. The account is adjusted on an annual basis to reflect the disposal of assets, the effect of revaluations and restatement of asset values and other capital transactions. The account cannot be called upon to support expenditure.

The Capital Financing Account contains the amount of capital receipts that have been utilised to finance capital expenditure, receipts set aside to repay outstanding debt and receipts applied against the Consolidated Loans Fund. In addition, it contains the difference between depreciation of assets and the amounts required to be charged to revenue to repay the principal element of external loans. The account cannot be called upon to support expenditure.

The Capital Receipts reserve represents capital receipts yet to be utilised, either to fund capital expenditure or within the Consolidated Loans Fund. All receipts not yet applied for capital programme purposes have been used within the Consolidated Loans Fund.

2005/06		2006/07
£'000		£'000
(1,230)	Opening Balance 1st April	(1,230)
(5,390)	Capital Receipts	(5,697)
	Less:	
5,390	Capital Receipts Applied	5,697
<u>(1,230)</u>	Closing Balance as at 31st March	<u>(1,230)</u>

17. Other Reserves

An Insurance Reserve to meet certain insurance liabilities has been established in terms of the Local Government Etc (Scotland) Act 1994. The balance on the Insurance Reserve at 31st March 2007 was £2.262m (2005/06 £2.060m) after allowance of provisions of £0.69m (2005/06 £0.7m).

A Repairs and Renewals Fund was established to allow for possible excess repair costs for Council dwellings in the event of future severe weather conditions. The balance on the Reserve at 31st March 2007 was £0.250m (2005/06 £0.250m).

18. Pension Reserve

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of pension assets or liabilities:

	31/3/03	31/3/04	31/3/05	31/3/06	31/3/07
	£'000	£'000	£'000	£'000	£'000
Actual return less expected return on pension scheme assets	(45,213)	23,179	5,220	30,056	(1,939)
Value of assets	121,000	154,716	173,339	220,887	239,369
Percentage of assets	(37.4%)	15.0%	3.0%	13.6%	(0.8%)
Experience gains / (losses) arising on the scheme liabilities	3,475	109	230	(3,996)	351
Present value of liabilities	162,700	194,006	256,439	318,577	317,176
Percentage of the present value of liabilities	2.1%	0.1%	0.1%	(1.3%)	0.1%
Changes in demographic and financial assumptions	-	-	(47,319)	(36,862)	22,972
Present value of liabilities	162,700	194,006	256,439	318,577	317,176
Percentage of the present value of liabilities	n/a	n/a	(18.5%)	(11.6%)	7.2%

19.Provisions and Contingent Liabilities

Single Status / Job Evaluation

In line with all Scottish local authorities, the Council has been undergoing a review of levels of employee pay and terms and conditions under the Single Status and Job Evaluation process. This extends to all levels of employees and has the broad aim of bringing together the terms and conditions of the manual and salaried workforces. The process has involved the evaluation of the duties of a range of posts with the intention of creating benchmarks against which all posts can be compared. The outcome of the process will inevitably result in some movement in rates of pay although this has not been finally quantified with certainty at this time. However, in anticipation of the implementation of this change to terms and conditions, some budgetary provision was made in the 2006/07 budget and this has been continued and increased for 2007/08 and will need to be reviewed for future financial years. The anticipated date of implementation is some time in the second half of 2007/08.

Equal Pay Grievances

At 31st March 2007 the Council had made payments to 749 female workers who were in posts that were covered by the equal pay negotiated agreement between the council and its employees. This agreement had been reached between the council and the trades unions and resulted in 94% of those employees affected signing up to the agreement. At 31st March 2007, around 45 employees still had not accepted the agreement, and some of them have lodged statutory grievances that may result in employment tribunal hearings taking place.

At the end of March 2006, it had been considered prudent to include a firm financial provision in the 2005/06 accounts to reflect the most likely settlement payment amounts. That provision of £5.3m was charged to Revenue Accounts in 2005/06 to cover the Council's anticipated liability for that year and for prior years. Due to the conclusion of the negotiated settlement, payments have been made against the provision made at the end of 2005/06. However, it has been necessary to review the remaining provision, in the light of any further possible liability to equal pay claims from female manual workers, up to 31st March 2007, and to the anticipated likelihood of making payments to other groups of employees. As a result of these reviews, the financial provision at the end of 2006/07 has been set at £3.41m, and this has been reflected in the Council's Statement of Accounts.

In addition to the firm financial provision, a contingent liability for a further £4.09m should be noted. This would be the Council's additional liability were it to settle with all groups of employees and at a level in excess of that anticipated through the negotiations with trade unions. Due to the speculative nature of this sum, it has not been included in the 2006/07 Statement of Accounts.

20.Introduction of the Euro

As at 31st March 2007, the Council had incurred no expenditure and had made no commitments in respect of costs associated with the introduction of the Euro.

21.Local Partnership Agreement

A Local Partnership Agreement exists between Stirling Council and NHS Forth Valley (Health Board, Primary Care Trust and Acute Trust) and covers all community care client groups. The shared vision is for better outcomes to be secured for people who require services and their carers, and for improved partnership working between our agencies. The joint working arrangement for all the client groups commenced in 2003/04 and budgets from Stirling Council and NHS Forth Valley have been aligned to support this. A financial framework for operating this aligned budget has been established in line with recommended practice.

22.Associated Bodies

Stirling Council has relationships with a number of Companies, Associations, Trusts, Joint Committees and Voluntary Organisations. All of these associations facilitate the discharge of the Council's functions in terms of Section 69 of the Local Government (Scotland) Act 1973.

The following information fulfils the Council's requirement under the Accounting Code of Practice to disclose all material financial interests in such entities. Those entities considered material enough to be incorporated within the Council's consolidated accounts are outlined in Note 1 to the Group Accounts (page 62).

The Authority is of the belief that there are no other material investments, contingent liabilities or guarantees by the Council with any associated bodies. Nor is there any other associated body or third party of an associated body with which the Council has a significant level of trading.

Copies of the most recent audited accounts relating to the associated bodies are available from the Head of Resources, Stirling Council and information from these as appropriate is included in the following statements.

Active Stirling Limited

Stirling Council is obliged by statute to provide sport and leisure services to the community and, until 30th March 2006, did so directly by means of its Sport and Leisure Service. With effect from 31st March 2006, a Non Profit Distributing Organisation called Active Stirling, being a company limited by guarantee and having charitable status, has delivered these services subject to a service level agreement with the Council. Stirling Council staff involved in the delivery of sport and leisure services transferred to Active Stirling on 31st March 2006.

Active Stirling operates and manages the Council's sport and leisure facilities including leisure centres, pavilions and sports pitches. The main venues are Rainbow Slides Leisure Centre and Forthbank Stadium. The land and buildings operated and managed by Active Stirling remain in the Council's ownership.

The year to 31st March 2007 was the company's first year of trading. At 31st March 2007 the company had net liabilities amounting to £125,135, primarily as a result of a net pension liability. In year ended 31st March 2007 the company achieved an operating surplus of £124,656, and holds further ring-fenced funds of £229,209 for allocation towards specific activities and future needs.

City of Stirling Business Parks (Investments) Limited

This is a joint venture company and its original principal activity was the development and refurbishment of commercial, industrial and residential properties. The company was restructured in November 2003 whereby it no longer undertakes new developments and this task has become the responsibility of a new joint venture company. The company's main activity is essentially now to hold completed developments as investments.

At 31st March 2007 the Council held 400 shares of £1 each in the company, representing 50% of the issued share capital. At 31st March 2007 the company had net assets amounting to £4,224,031 (2006, £4,043,281). In year ended 31st March 2007 the company achieved a profit before tax of £255,753 (2006, £4,066,923) and a profit after tax of £180,750 (2006, £2,888,792). Dividends received by the Council during 2006/07 were nil (2005/06, nil).

The company received from all its three original shareholders loan funds carrying a commercial rate of interest. As part of the restructuring arrangements of November 2003 these loans including interest were all repaid in 2004/05 and new loan arrangements were finalised. At 31st March 2007 the amount loaned by the Council was £2,087,000. At 31st March 2007 the Council had provided additional loans (excluding interest) amounting to £435,416 (2006, £435,416).

At its meeting of 15th March 2007, the Council approved the transfer of a number of properties, and the TUPE transfer of several members of staff, to a proposed venture between the Council and City of Stirling Business Parks (Investments) Limited under the title of Stirling Development Agency (SDA). Although the work to effect the transfer will take place during 2007/08, the Council has taken the firm decision to transfer, and this will affect the Council's investment in this company in due course. This will be reflected in the final accounts that will be prepared for 2007/08.

City of Stirling Business Parks Limited

This is a joint venture company and its principal activity is the development and refurbishment of commercial, industrial and residential properties. The company was formed in 2003 as a result of the restructuring of City of Stirling Business Parks (Investments) Limited whereby it took on the responsibility for new developments from that company.

At 31st March 2007 the Council held 500 shares of £1 each in the company, representing 50% of the issued share capital. At 31st March 2007 the company had net assets amounting to £354,076 (2006, liabilities of £65,193). In year ended 31st March 2007 the company achieved a profit before tax of £512,116 (2006, loss of £199,768) and a profit after tax of £381,381 (2006, loss of £199,700). Dividends received by the Council during 2006/07 were nil (2005/06, nil). At 31st March 2007 the Council had provided a loan to the company amounting to £1.008m (2006, £540,000).

Stirling Business Centre Limited

The company's principal activity is to promote and encourage industrial and commercial activity and enterprise in Stirling district and to make available accommodation for letting. The Council has entered into a lease with the company of the Stirling Business Centre at Wellgreen Road, Stirling, and of Enterprise House at Springkerse Business Park, Stirling.

The company has entered into a subscription agreement with its joint owners Stirling Enterprise Park Limited and Stirling Enterprise and Economic Development Company Limited whereby those companies will each undertake to subscribe for a further 25,000 ordinary shares if required to do so.

At 31st March 2007 the company had net assets amounting to £218,714 (2006, £212,156). In year ended 31st March 2007 the company achieved a profit before tax of £52,440 (2006, £51,688) and a profit after tax of £44,058 (2006, £41,220). Dividends declared by the company for 2006/07 were £37,500 (2005/06, £39,000).

Stirling District Tourism Ltd

The principal activity of the company is to secure the preservation, protection, development and improvement of buildings and other features of particular or historical, architectural, constructional or public interest in the administrative area of the Council. The Council has leased certain tourist attractions to the company, which it manages on behalf of the Council. The company is limited by guarantee and has been granted tax exemption status as a charity by the Inland Revenue.

At 31st March 2007 the company had net assets of £575,772 (2006, £571,300). In year ended 31st March 2007 the company achieved an operating surplus of £30,472 (2006, £128,425). The company is exempt from tax as a charity under Section 505 Income and Corporation Taxes Act, 1988.

Stirling Enterprise and Economic Development Company Limited

The company's principal activity is to provide local funding for companies based in Stirling district through loans or equity investment.

At 31st March 2007 the Council held 99 shares of £1 each in the company, representing 99% of the issued ordinary share capital. In addition, the Council held 500,000 redeemable preference shares of £1 each, representing the entire issued share capital of that type.

At 31st March 2007 the company had net assets amounting to £400,202 (2006, £370,101). In year ended 31st March 2007 the company achieved a profit before tax of £30,101 (2006, £31,946) and a profit after tax of £30,101 (2006, £31,946). Dividends received by the Council during 2006/07 were nil (2005/06, nil).

At 31st March 2007 the company held 5,000 ordinary shares of £1 each in Stirling Business Centre Limited (SBCL), representing 50% of the issued ordinary share capital. The company has entered into a subscription agreement with SBCL whereby, along with Stirling Enterprise Park Limited, those companies will each undertake to subscribe for a further 25,000 ordinary shares in SBCL if required to do so.

Stirling Enterprise Park Limited

The company's principal activity is to promote and encourage industrial and commercial activity and enterprise and to make available accommodation for letting. The Council rents two properties from the company.

At 31st March 2007 the Council held 85,000 shares of £1 each in the company, representing 84% of the issued share capital. At 31st March 2007 the company had net assets amounting to £1,618,821. In year ended 31st March 2007 the company achieved a profit before tax of £155,706 and a profit after tax of £131,853. Dividends received by the Council during 2006/07 were nil (2005/06, nil).

The company has a wholly owned subsidiary called Stirling Enterprise Limited. The subsidiary's results are not consolidated or included with those of its parent.

At 31st March 2007 the company held 5,000 ordinary shares of £1 each in Stirling Business Centre Limited (SBCL), representing 50% of the issued ordinary share capital. The company has entered into a subscription agreement with SBCL whereby, along with Stirling Enterprise and Economic Development Company Limited, those companies will each undertake to subscribe for a further 25,000 ordinary shares in SBCL if required to do so.

Stirling Technology Projects Limited

The company was formed for the single purpose of providing an extension to the building occupied by BioReliance Limited at Stirling University Innovation Park and thereafter leasing the whole building to BioReliance. BioReliance took entry to the building provided by the company in May 1999 at which point the company began to trade. The Council has entered into a Management Agreement with the company whereby it provides financial, company secretary, and property management services. The company is wholly owned by the Council in the form of 2 shares of £1 each.

At 31st March 2007 the company had net liabilities amounting to £995,076 (2006, liabilities of £939,559). In year ended 31st March 2007 the company incurred a loss before tax of £55,517 (2006, loss of £57,538) and a loss after tax of £55,517 (2006, loss of £57,538). Dividends received by the Council during 2006/07 were nil (2005/06, nil).

The Council acts as guarantor in respect of the company's obligations under its bank loan agreement. At 31st March 2007 the sum guaranteed was £2,514,641 (2006 £2,603,277). At 31st March 2007 the company owed nil to the Council (2006, £34,777).

The company lets a property at Stirling University Innovation Park. On 19th May 2006, the tenant exercised their option to purchase the property. At 31st March 2007, the exercising of the option had not resulted in the sale of the property, and it is thought unlikely that a sale will be the outcome on this occasion. The tenant has the right to exercise the purchase option at any time and this may or may not lead to a sale of the property in the future.

Stirling University Innovation Park Ltd

The principal activity of the company is the development, promotion, marketing, use and management of Stirling University Innovation Park. The Council provides a contribution towards the cost of the company's executive management and also makes contributions towards certain of the company's operating costs.

At 31st March 2007 the Council held 198 shares in the company, representing 50% of the issued share capital. At 31st March 2007 the company had net assets amounting to £142,425 (2006, £136,393). In year ended 31st March 2007 the company achieved a profit before tax of £4,595 (2006, loss of £18) and a loss after tax of £7,968 (2006, loss of £9,392). Dividends received by the Council during 2006/07 were nil (2005/06 nil).

The Council acts as guarantor in respect of the company's obligations under the bank facility it acquired to assist in the purchase of the head lease interests in the Alpha and Beta Centres. The bank loan amounted to £0.968m at 31st March 2007 (2006, £1.007m).

Thistle II Ltd

Thistle II Limited is a joint venture company formed for the purpose of providing a shopping development in Stirling. The development was completed in September 1997 and sold to an institutional investor in November 1998.

The company achieved profit on the development and the Council received a profit share amounting to £2.4m in 1998/99. An additional profit share amounting to £308,000 was received in 2000/01. A third distribution amounting to £142,750 was received in 2005/06 and a final distribution amounting to £5,968 was received in 2006/07.

Application was made to the Registrar of Companies on 22nd May 2006 that the company be struck off the register and this became effective on 27th October 2006.

Venture Forth Ltd

The principal activity of the company is to promote industry and commerce broadly within the local government areas of Clackmannanshire, Falkirk and Stirling Councils and to act as trustee of the Venture Forth Development Fund.

At 31st March 2007 the Council held 520,000 shares of £1 each in the company, representing 65% of the issued share capital. At 31st March 2007 the company controlled net assets amounting to £351,009 (2006, £338,944). In year ended 31st March 2007 the company declared a profit before tax of £33,940 (2006, £31,970) and a profit after tax of £28,400 (2006, £26,752). Dividends received by the Council during 2006/07 were nil (2005/06, nil).

At 31st March 2007 the company was in receipt of a loan from the Council amounting to £200,000, representing ERDF grants passed over to the company in previous years. There was no other indebtedness between the parties.

23.Events After The Balance Sheet Date

There were no events that occurred between 1st April 2007 and 26 September 2007 that would have an impact on the 2006/07 financial statements (2005/06 None). The later date is the date on which the accounts were authorised for issue by the Head of Resources.

D. Notes to the Cash Flow Statement

1) Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

Restated		
2005/06		2006/07
£'000		£'000
2,885	(Surplus)/Deficit per Income and Expenditure Account	17,613
(17,571)	Adjustments not involving movement of funds	(34,504)
(5,233)	Contributions (to)/from Provisions	(3,552)
(46)	Increase/(Decrease) in Stock & Work in Progress	123
(344)	Increase/(Decrease) in Debtors	2,216
2,338	(Increase)/Decrease in Creditors	(3,319)
<u>(17,971)</u>	Net Cash (Inflow)/Outflow from Revenue Activities	<u>(21,423)</u>

2) Analysis of Cash Balances

Movement		As At	As At	Movement
2005/06		31/3/06	31/3/07	2006/07
£,000		£,000	£,000	£,000
1	Cash In Hand	38	39	1
2,244	Bank Balance	(1,195)	(187)	1,008
<u>2,245</u>	Increase/(Decrease) in cash	<u>(1,157)</u>	<u>(148)</u>	<u>1,009</u>

3) Management of Liquid Resources

Movement		As At	As At	Movement
2005/06		31/3/06	31/3/07	2006/07
£,000		£,000	£,000	£,000
<u>(3,678)</u>	Increase/(Decrease) in Short Term Deposits < 3 months	<u>17,424</u>	<u>16,048</u>	<u>(1,376)</u>

Liquid Resources have been defined by Stirling Council as deposits made by the Council with a fixed maturity of less than three months.

4) Analysis of Government Grants

2005/06		2006/07
£'000		£'000
(90,316)	Revenue Support Grant	(92,344)
(8,229)	DWP - Rent Rebates	(8,360)
(4,398)	DWP - Rent Allowances	(4,438)
(4,812)	Supporting People	(5,195)
(2,765)	Schools National Priorities Action Fund	(4,488)
(1,897)	Other Education Grants	(4,971)
(480)	Social Inclusion Partnership	(223)
(391)	Modernising Government Fund	(93)
(602)	Housing Support	(480)
(207)	Social Work - Mental Illness	(207)
(558)	Housing Benefit/Council Tax Admin	(686)
(3,591)	Other Grants	(4,922)
<u>(118,246)</u>		<u>(126,407)</u>

5) Movement in Financing

2005/06 £'000		2006/07 £'000
	Loans Repaid	
6,849	Public Works Loans Board	50
29	European Investment Bank	22
306	Covenants	150
100	Market & Local Bonds	5
<u>7,284</u>		<u>227</u>
	New Loans	
<u>(5,625)</u>	Public Works Loans Board	<u>-</u>
<u>1,659</u>	Net Cash (Inflow)/Outflow from Financing	<u>227</u>

6) Reconciliation of Movement in Cash to Movement in Net Debt

	Net Debt 31/3/06 £,000	Cash Movement £,000	Net Debt 31/3/07 £,000
Cash In Hand	38	1	39
Bank Balance	(1,195)	1,008	(187)
Debt due within 1 year	(373)	(8)	(381)
Debt due after 1 year	(146,468)	279	(146,189)
Current Asset Investments	17,424	(1,376)	16,048
	<u>(130,574)</u>	<u>(96)</u>	<u>(130,670)</u>
	£,000	£,000	
Net Increase in Cash:			
Cash In Hand	1		
Bank Overdraft	<u>1,008</u>		
		1,009	
Cash Used to Increase Liquid Resources:			
Public Works Loans Board	-		
Covenant Schemes	-		
European Investment Bank	(2)		
Local Lenders	-		
Temporary Loans	(6)		
Banks/Building Societies/Money Market Services	(7,826)		
Other Local Authorities	<u>6,450</u>		
		(1,384)	
Cash Used to Reduce Long Term Debt:			
Public Works Loans Board	100		
European Investment Bank	23		
Covenant Schemes	150		
Market Bonds	-		
Local Lenders	<u>6</u>		
		279	
Change In Net Debt		<u>(96)</u>	
Net Debt as at 31/3/06		<u>(130,574)</u>	
Net Debt as at 31/3/07		<u>(130,670)</u>	

E. Significant Trading Operations

The Local Government in Scotland Act 2003 requires local authorities to maintain and disclose trading accounts for Significant Trading Operations (STOs). Under this legislation, STOs are required to break-even over a rolling 3-year period.

In previous years, service revenue accounts, central support services and STOs were charged with a capital charge for all fixed assets used in the provision of services. The total charge covered the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values.

For 2006/07, the Code of Practice on Local Authority Accounting in Great Britain requires service revenue accounts, central support services and trading accounts to be charged with depreciation rather than capital charges, meaning that they are no longer charged with notional interest. Notwithstanding this requirement, Audit Scotland's view is that it is necessary to charge trading accounts with some form of cost of capital when determining whether or not they have achieved the prescribed financial objective to break-even over three years. Failure to make such a charge would afford the trading operations a competitive advantage over private firms. This advantage would be constituted as state aid, which is not acceptable under EU rules.

It is therefore recommend that where trading accounts are no longer charged with notional interest, those that use fixed assets on which there is outstanding debt should be charged with an element of loans fund interest. This notional interest should be included in determining the statutory outturn positions for STOs, but does not require to be reflected in the Income & Expenditure account.

The notional interest charges allocated to each of the STOs in 2006/07 for the purposes of calculating statutory outturn positions are as follows:

	Notional Interest £'000
Roads Repair	16
Building Services	5
Grounds Maintenance	10
Refuse Collection	32
Building Cleaning	-
Catering	-
Letting of Commercial Properties	653
Total Notional Interest	716

The Council currently has seven STOs, of which Grounds Maintenance, Refuse Collection, Building Cleaning and Catering failed to achieve a break-even position during 2006/07, and also failed to achieve their rolling 3-year statutory break-even target. It should be noted that provisions towards the retrospective costs of equal pay claims were also charged to STOs during 2006/07, impacting significantly on final outturn positions.

In aggregate, the STOs achieved a statutory surplus of £885,000 in 2006/07 after the charging of equal pay provisions and notional interest (£157,000 deficit in 2005/06).

2004/05	2005/06 3 Year			2006/07			Rolling 3 Year
(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000		Expenditure £'000	Income £'000	(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000
(604)	(387)	(1,321)	Roads Repair	9,807	(9,872)	(65)	(1,056)
(151)	(272)	(506)	Building Services	10,275	(10,706)	(431)	(854)
109	11	101	Grounds Maintenance	1,775	(1,719)	56	176
652	349	1,440	Refuse Collection	2,505	(2,458)	47	1,048
(89)	592	489	Building Cleaning	2,804	(2,160)	644	1,147
(148)	580	319	Catering	3,054	(2,436)	618	1,050
(865)	(716)	(2,377)	Letting of Commercial Properties	1,463	(3,217)	(1,754)	(3,335)
(1,096)	157	(1,855)	Transfer to Revenue Account	31,683	(32,568)	(885)	(1,824)

Under the Best Value Accounting Code of Practice, where trading accounts are an integral part of the total cost of particular Services then they should be consolidated into the cost of that Service. The following table outlines those elements of trading activity consolidated into the Net Cost of Services:

2004/05	2005/06			2006/07			Rolling
	3 Year						3 Year
(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000		Expenditure £'000	Income £'000	(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000
(183)	97	(178)	Children's Services	4,913	(3,908)	1,005	919
4	1	(14)	Community Services	546	(398)	148	153
(4)	(5)	(9)	Corporate Services	539	(439)	100	91
700	298	1,049	Environment Services	12,117	(12,141)	(24)	974
(165)	(363)	(506)	Regeneration Services	9,981	(10,397)	(416)	(944)
352	28	342	Total	28,096	(27,283)	813	1,193

Where trading activity has been conducted with other parties and does not relate to the provision of the authority's own Services, all transactions should be excluded from the Net Cost of Services, but shown within Net Operating Expenditure. The following table outlines those elements of trading activity conducted with other parties:

2004/05	2005/06			2006/07			Rolling
	3 Year						3 Year
(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000		Expenditure £'000	Income £'000	(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000
(557)	162	(447)	Roads Repair	1,756	(1,742)	14	(381)
-	-	-	Building Services	86	(87)	(1)	(1)
-	7	7	Grounds Maintenance	26	(25)	1	8
(2)	9	5	Building Cleaning	47	(37)	10	17
(18)	66	46	Catering	247	(268)	(21)	27
0	(1)	(1)	Refuse Collection	19	(19)	0	(1)
(871)	(114)	(1,807)	Letting of Commercial Properties	1,406	(3,107)	(1,701)	(2,686)
(1,448)	129	(2,197)	Total	3,587	(5,285)	(1,698)	(3,017)

E1a

Roads Repair Significant Trading Operation Trading Account 2006/07

2004/05 Actual £'000	2005/06 Actual £'000	Rolling 3 Year Actual £'000		2006/07 Actual £'000	2006/07 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(8,889)	(10,294)	(25,930)	Turnover	(9,872)	(8,415)	(29,055)	(24,004)
8,285	9,907	24,609	Expenditure	9,807	8,386	27,999	23,735
(604)	(387)	(1,321)	(Surplus)/Deficit	(65)	(29)	(1,056)	(269)

2004/05 £'000	2005/06 £'000		2006/07 £'000
(3,711)	(6,567)	<u>Analysis of Turnover:</u>	
(2,687)	(980)	Highway and Roads Maint	(4,360)
(2,491)	(2,747)	External Clients	(1,742)
(8,889)	(10,294)	General Fund Capital	(3,770)
			(9,872)

The Roads Repairs STO carries out improvements, maintenance and repair work largely on the roads network for which Stirling Council is responsible. However in order to maximise the performance and resources of the STO, the service has been successful in winning a number of external contracts in the year which has improved the contribution to overhead costs. The continued success of these external contracts has led to further requests for work which bodes well for the performance of this service in the future.

The main areas of activity are:

- Upkeep of existing infrastructure through cyclic and structural maintenance
- Provision of a winter maintenance service including flooding, gritting and snow clearance activities
- Replacement and maintenance of road lighting schemes
- Involvement on the construction of new projects
- Providing a year-round 24 hour emergency response service

The actual financial performance for 2006/07 is a surplus of £65,000 (£387,000 surplus in 2005/06). This compares favourably with the target for the financial year of £29,000 surplus.

The statutory financial target for the three year period was to break even and although the Service set a target surplus of £269,000, the actual performance of the STO has greatly exceeded this level.

E1b**Building Services Significant Trading Operation
Trading Account 2006/07**

2004/05 Actual £'000	2005/06 Actual £'000	Rolling 3 Year Actual £'000		2006/07 Actual £'000	2006/07 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(8,862)	(11,022)	(28,432)	Turnover	(10,706)	(11,062)	(30,590)	(28,697)
<u>8,711</u>	<u>10,750</u>	<u>27,926</u>	Expenditure	<u>10,275</u>	<u>11,056</u>	<u>29,736</u>	<u>28,680</u>
<u>(151)</u>	<u>(272)</u>	<u>(506)</u>	(Surplus)/Deficit	<u>(431)</u>	<u>(6)</u>	<u>(854)</u>	<u>(17)</u>

2004/05 £'000	2005/06 £'000		2006/07 £'000
(4,661)	(5,110)	<u>Analysis of Turnover:</u>	
(1,433)	(1,002)	Housing	(5,090)
(220)	(12)	Non Housing	(578)
(2,441)	(4,824)	General Fund Capital	-
(107)	(74)	HRA Capital	(4,951)
<u>(8,862)</u>	<u>(11,022)</u>	External Clients	<u>(87)</u>
			<u>(10,706)</u>

The Building Services STO carries out building maintenance and repair works on the Stirling Council owned housing schools, residential homes and public buildings.

The main areas of activity are :

- Responsive repairs
- Planned maintenance works
- 24 hours emergency repair service
- Upgrading works

The actual financial performance for 2006/07 is a surplus of £431,000 (£272,000 surplus 2005/06). This compares favourably with the target for the financial year which was a surplus of £6,000. The Service has made provision for the Equal Pay settlement, however this has had only a minor impact on the financial performance of the service. Negotiations on pay and conditions are currently underway with craft workers, who fall outside the single status negotiations.

The statutory financial target for the three year period was to break even and although the Service set a target surplus of £17,000, the actual performance of the STO has greatly exceeded this level.

E1c Grounds Maintenance Significant Trading Operation Trading Account 2006/07

2004/05 Actual £'000	2005/06 Actual £'000	Rolling 3 Year Actual £'000		2006/07 Actual £'000	2006/07 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(1,665)	(1,795)	(5,099)	Turnover	(1,719)	(1,569)	(5,179)	(5,031)
1,774	1,806	5,200	Expenditure	1,775	1,569	5,355	5,031
109	11	101	(Surplus)/Deficit	56	0	176	0

2004/05 £'000	2005/06 £'000		2006/07 £'000
(1,645)	(1,770)	<u>Analysis of Turnover:</u>	
(20)	(25)	Internal Clients	(1,694)
(1,665)	(1,795)	External Clients	(25)
			(1,719)

The Grounds Maintenance STO carries out a range of grounds maintenance and horticultural works on Council owned open spaces and properties such as parks, schools and civic buildings.

The main areas of activity include:

- Grass cutting
- Cultivation of flowers, plants and trees
- Maintenance of gardens for the disabled and the elderly
- Preparation of graves for interments and the grounds maintenance of cemeteries and churchyards
- Sports pitch maintenance

The actual financial performance for 2006/07 is a deficit of £56,000 (£11,000 deficit 2005/06). This compares with the target for the financial year which was to break-even. The service has made provision for the Equal Pay settlement, however this has had only a minor impact on the financial performance of the service.

The statutory financial target for the three year period was to break even. The actual performance shows that this STO failed to break even incurring an overall 3-year deficit of £176,000. In order to address the failure and ensure best value was being achieved, the grass cutting part of this service was put out to tender delivering against a new service contract which the in house service won. The first full year of the new contract, 2006/07 proved to be a difficult time. The additional costs recruiting agency staff to catch up on the backlog of work caused by vacancies and sickness at the start of the financial year had an impact on the performance of this STO in 2006/07. The introduction of the management and operation of the contract highlighted a number of HR related issues including a lack of project, financial and supervisory management skills within the team. To resolve these the Streetscape service has now been completely restructured. Also a new financial management system has recently been introduced into the grounds core part of the service which includes more robust reporting and monitoring.

The grass cutting contract has been extended for another year in accordance with the contract conditions and will be retendered for the following year's service provision.

E1d Refuse Collection Significant Trading Operation Trading Account 2006/07

2004/05 Actual £'000	2005/06 Actual £'000	Rolling 3 Year Actual £'000		2006/07 Actual £'000	2006/07 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(2,085)	(2,014)	(6,394)	Turnover	(2,458)	(2,256)	(6,557)	(6,323)
<u>2,737</u>	<u>2,363</u>	<u>7,834</u>	Expenditure	<u>2,505</u>	<u>2,296</u>	<u>7,605</u>	<u>6,363</u>
<u>652</u>	<u>349</u>	<u>1,440</u>	(Surplus)/Deficit	<u>47</u>	<u>40</u>	<u>1,048</u>	<u>40</u>

2004/05 £'000	2005/06 £'000		2006/07 £'000
(2,085)	(2,009)	<u>Analysis of Turnover:</u>	
-	(5)	Internal Clients	(2,439)
<u>(2,085)</u>	<u>(2,014)</u>	External Clients	<u>(19)</u>
			<u>(2,458)</u>

The principal service of the refuse collection operation is the fortnightly uplift and disposal of domestic refuse and green waste from all Council households:-

The actual financial performance for 2006/07 is a deficit of £47,000 (£349,000 deficit 2005/06) and is in line with the budget target set for 2006/07.

The service has made a huge effort to reduce costs over 2006/07. Marked improvements in the performance of the refuse collection vehicles has reduced repair costs, replacement hires and overtime. Further improvements in vehicle reliability should deliver future efficiencies as new vehicle routes and working practices are implemented to maximise the performance of the MSTs vehicles.

The projection for the forthcoming year is to break even.

**E1e Building Cleaning Significant Trading Operation
Trading Account 2006/07**

2004/05 Actual £'000	2005/06 Actual £'000	Rolling 3 Year Actual £'000		2006/07 Actual £'000	2006/07 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(2,208)	(2,254)	(6,576)	Turnover	(2,160)	(2,246)	(6,622)	(6,544)
<u>2,119</u>	<u>2,846</u>	<u>7,065</u>	Expenditure	<u>2,804</u>	<u>2,237</u>	<u>7,769</u>	<u>6,546</u>
<u>(89)</u>	<u>592</u>	<u>489</u>	(Surplus)/Deficit	<u>644</u>	<u>(9)</u>	<u>1,147</u>	<u>2</u>

2004/05 £'000	2005/06 £'000		2006/07 £'000
(2,168)	(2,218)	<u>Analysis of Turnover:</u>	
(40)	(36)	Internal Clients	(2,123)
<u>(2,208)</u>	<u>(2,254)</u>	External Clients	<u>(37)</u>
			<u>(2,160)</u>

The building cleaning STO provides a cleaning service to a wide variety of Stirling Council and Fire Service buildings.

The main functions of the STO are :

- Cleaning nursery, primary, secondary and special schools
- Cleaning of youth and community centres
- Cleaning of social work establishments
- Cleaning of offices and public buildings
- Cleaning of Fire Service buildings

The operating financial performance for 2006/07 was break even (£89,000 surplus 2005/06) prior to the charging of retrospective equal pay costs of £644,000. These exceptional costs meant that the STO returned a significant deficit of £644,000. The charging of equal pay costs has meant that this STO has failed to meet its statutory 3 year financial target to break even with a 3 year reported deficit of £1,147,000.

The Building Cleaning contract is to be re-specified and priced during 2007/08 to reflect changes in service standards required by client services. The contract will consider the impact of equal pay when determining its pricing policy.

E1f**Catering Significant Trading Operation
Trading Account 2006/07**

2004/05 Actual £'000	2005/06 Actual £'000	Rolling 3 Year Actual £'000		2006/07 Actual £'000	2006/07 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(2,502)	(2,512)	(7,299)	Turnover	(2,436)	(2,106)	(7,450)	(6,391)
2,354	3,092	7,618	Expenditure	3,054	2,488	8,500	6,773
(148)	580	319	(Surplus)/Deficit	618	382	1,050	382

2004/05 £'000	2005/06 £'000		2006/07 £'000
(2,137)	(2,120)	<u>Analysis of Turnover:</u>	
(134)	(134)	Education	(2,037)
(205)	(241)	Social Work	(131)
(26)	(17)	Police - External Client	(249)
(2,502)	(2,512)	Other External Clients	(19)
			(2,436)

The catering STO operates a Schools and Welfare Catering Contract and catering services to Central Scotland Police headquarters.

The main functions of the STO are :

- Provision of meals to 7 Nursery, 42 Primary, 6 Secondary and 2 Special Schools
- Preparation of meals for Meals on Wheels Service
- Provision of staff meals service to Central Scotland Police

The operating financial performance for 2006/07 was a deficit of £177,000 (£97,000 deficit in 2005/06) prior to providing for equal pay costs. These exceptional costs have significantly increased the reported deficit for this STO to £618,000 for 2006/07.

The reported deficit means the STO failed to achieve its statutory 3 year financial target to breakeven with a reported deficit of £1.05m.

A new financial recovery model is to be developed in 2007/08 to reflect the changing schools catering requirements and costs of provision.

E1g Letting of Commercial Properties Significant Trading Operation Trading Account 2006/07

2004/05 Actual £'000	2005/06 Actual £'000	Rolling 3 Year Actual £'000		2006/07 Actual £'000	2006/07 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(2,587)	(2,626)	(7,785)	Turnover	(3,217)	(2,601)	(8,430)	(7,571)
<u>1,722</u>	<u>1,910</u>	<u>5,408</u>	Expenditure	<u>1,463</u>	<u>1,316</u>	<u>5,095</u>	<u>4,736</u>
<u>(865)</u>	<u>(716)</u>	<u>(2,377)</u>	(Surplus)/Deficit	<u>(1,754)</u>	<u>(1,285)</u>	<u>(3,335)</u>	<u>(2,835)</u>

2004/05 £'000	2005/06 £'000		2006/07 £'000
(57)	(111)	<u>Analysis of Turnover:</u>	
(2,530)	(2,515)	Internal Clients	(110)
<u>(2,587)</u>	<u>(2,626)</u>	External Clients	<u>(3,107)</u>
			<u>(3,217)</u>

The Letting of Commercial Properties STO provides industrial/business sites and premises to promote investment in the local economy, contribute to the creation of employment opportunities, to meet market failures where applicable, and to positively influence and contribute to the economic capacity of the area.

The actual financial performance for 2006/07 is a surplus of £1.754m (£716,000 surplus 2005/06). This is better than the target for the financial year which was £1.285m.

The statutory financial target for the three year period is to break even although the Service set a target of £2.835m which is in excess of that required. The strategic direction of the letting of commercial properties is subject to some fundamental changes in 2007/08 which will have an impact on the financial performance of this STO. However it is anticipated that the trading operation will continue to be in surplus in 2007/08.

SUPPLEMENTARY FINANCIAL STATEMENTS

F

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE ACCOUNT

Restated 2005/06 £'000		Notes	2006/07 £'000
	Income		
(14,612)	Dwelling Rents - Standard		(14,651)
(424)	Non Dwelling Rents		(455)
(426)	Housing Support Grant		(480)
(2,205)	Other		(2,445)
<u>(17,667)</u>			<u>(18,031)</u>
	Expenditure		
5,912	Repairs and Maintenance		6,528
5,110	Supervision and Management		5,145
3,467	Depreciation and Impairment of Fixed Assets		3,740
519	Other Expenditure		526
130	Increase in Bad Debt Provision		175
<u>15,138</u>		F2	<u>16,114</u>
(2,529)	Net Cost of HRA Services per Stirling Council Income and Expenditure Account		(1,917)
<u>136</u>	HRA Share of Corporate and Democratic Core		<u>121</u>
(2,393)	Net Cost of HRA Services		(1,796)
	HRA Share of the Operating Income and Expenditure included in Stirling Council's Accounts:		
(475)	(Gain)/Loss on sale of HRA Fixed Assets		85
1,378	Interest Payable and Similar Charges	F6	1,316
8	Amortisation of Premiums and Discounts		10
(243)	Interest and Investment Income		(271)
46	Pension Interest Costs & Expected Return On Assets		20
<u>(1,679)</u>	Surplus for the year on HRA Services		<u>(636)</u>

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

The HRA Income and Expenditure Account shows the actual financial performance for the year, measured in terms of the resources consumed and generated. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that the Council is required to take account of when setting housing rent levels. The main differences being:

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

The following reconciliation statement summarises the differences between the surplus/deficit on the HRA Income and Expenditure Account and the HRA Balance.

2005/06 £'000		Notes	2006/07 £'000
(1,679)	Surplus on the HRA Income and Expenditure Account		(636)
1,046	Net additional amount required by statute and non-statutory proper practices to be debited/(credited) to the HRA Balance for the year	F1	468
(633)	Increase in HRA Balances for the Year		(168)
(844)	HRA Balances brought forward		(1,477)
(1,477)	HRA Balances carried forward		(1,645)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Explanation of the Significance of the Statement of Movement on the Housing Revenue Account Balance

2005/06 £'000		2006/07 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the Movement on HRA balance for the year:	
(3,410)	Depreciation and impairment of fixed assets	(3,675)
475	Gain/(Loss) on sale of HRA Fixed Assets	(85)
(8)	Amortisation of Premiums and Discounts	(10)
(344)	Net charges made for retirement benefits in accordance with FRS17	(332)
(3,287)		(4,102)
	Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA balance for the year:	
2,520	Loans Fund principal repayments	2,235
1,581	Capital expenditure funded by the HRA	2,046
232	Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	289
4,333		4,570
1,046	Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year	468

2. HRA Expenditure Adjustments Within Council Income and Expenditure Account

The following represent adjustments made to the total expenditure figure shown in the HRA Income and Expenditure Account for the purposes of consolidation into the Council's Income and Expenditure Account (page 12). The adjustments relate to pension entries that require to be shown within Non Distributed Costs within the Council's Income and Expenditure Account.

	2006/07 £'000
Expenditure per HRA I&E A/c	16,114
Pensions - Settlements and Curtailments	(56)
Pensions - Past Service Costs	81
HRA Expenditure per Council I&E A/c	16,139

3. Housing Stock

As at 31st March 2007, the Council was responsible for managing 6,118 dwellings. (6,322 at 31st March 2006).
An analysis of total housing stock is shown below:

Property Type	<u>1 Apt</u>	<u>2 Apt</u>	<u>3 Apt</u>	<u>4 Apt</u>	<u>5 Apt</u>	<u>6 Apt+</u>	<u>Total</u>
Bedsit	21						21
Flat in Close		552	903	267	3		1,725
Own Door Flat		309	411	224	71		1,015
Maisonette			66	11			77
Bungalow		306	32	24	2		364
Mid Terrace		7	480	492	21	1	1,001
End Terrace/Semi			749	971	189	1	1,910
Detached				2	2	1	5
	<u>21</u>	<u>1,174</u>	<u>2,641</u>	<u>1,991</u>	<u>288</u>	<u>3</u>	<u>6,118</u>

4. Average Rent

An analysis of the average rent per week for each property type in the Council's housing stock is as follows:

Property Type	<u>1 Apt</u>	<u>2 Apt</u>	<u>3 Apt</u>	<u>4 Apt</u>	<u>5 Apt</u>	<u>6 Apt</u>
Bedsit	42.18					
Flat in Close		46.50	47.61	48.72	49.83	
Own Door Flat		47.39	48.51	49.66	50.78	
Maisonette			47.61	48.72		
Bungalow		49.81	51.02	52.21	53.38	
Mid Terrace		48.71	49.90	51.05	52.21	53.34
End Terrace/Semi			51.02	52.21	53.38	54.58
Detached				53.35	54.58	

The overall average Council house rent per week as at 31st March 2007 was £49.68. (£47.86 at 31st March 2006).

5. Rent Lost Due To Empty Properties

Rent lost due to empty properties was as follows:

Property Type	2005/06	2006/07
	£'000	£'000
Dwellings	142	110
Garages	37	35
Homeless Properties	36	40
	<u>215</u>	<u>185</u>

6. Rent Arrears

Rent arrears relating to current tenants in council dwellings and lockups totalled £304,186 as at 31st March 2007. This represents 4.66% of the net rent due for the year and is a decrease of 1.08% on the corresponding percentage for the previous year figure of £379,112.

Rent arrears relating to former tenants in council dwellings and lockups totalled £416,423 as at 31st March 2007. This represents an increase of £31,505 since 31st March 2006. Arrears of £79,567 were written off during the year, which related to former housing tenants.

7. Bad and Doubtful Debts

An accumulated total provision of £824,701 has been made for Bad and Doubtful Debts, of which £448,000 is for dwellings and lockups, with the balance of £376,701 relating to Homeless and other debtors. This is compared to a total of £887,518 in 2005/06, of which £451,000 was for dwellings and lockups and the balance of £436,518 related to Homeless and other debtors.

8. Covenant Schemes

Principal repayments arising from covenant schemes are included in Movements in HRA Balances and amounted to £205,786 in 2006/07. Interest and expenses payments arising from covenant schemes are included in Interest Payable and Similar Charges and amounted to £13,071. This gives a total of £218,857 as compared to £215,902 in 2005/06.

G

COUNCIL TAX INCOME ACCOUNT

This account shows the income raised from Council Tax. Owners of domestic properties (with some exceptions) are liable for a banded charge depending on the value of each property. There is a benefits scheme under which those with low incomes are entitled to rebates.

2005/06 £'000		2006/07 £'000
(46,764)	Gross Council Tax levied and contributions in lieu	(49,489)
	Less:-	
(65)	Council Tax Benefits net of Government Grants	(78)
6,224	Other Discounts and Reductions	6,540
321	Provision for Bad and Doubtful Debts	(62)
<u>(40,284)</u>	Total Council Tax Income Transferred To General Fund	<u>(43,089)</u>
<u>1,149</u>	Band D Council Tax Levied	<u>1,201</u>

a) Council Tax Discount On Second Homes and Long-term Empty Properties

From 1 April 2005, local authorities were granted discretion to reduce or retain the council tax discount on second homes and long-term empty properties to between 10% and 50%. Stirling Council agreed to reduce the council tax discount on second homes and long-term empty properties to 10%. The additional income generated from the discount reduction has to be retained locally, and mainly routed through Registered Social Landlords (RSLs) for the provision of new-build affordable social housing to meet locally determined priorities. During 2006/07, the additional income generated amounted to £395,000 (2005/06 £389,000).

b) Calculation of the Council Tax Base

	Band A *	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
No. of Dwellings	-	6,301	8,365	4,099	3,988	5,859	4,835	4,427	620	38,494
Exempt Dwellings	-	(479)	(330)	(331)	(193)	(196)	(121)	(52)	(23)	(1,725)
Disabled Relief	21	30	(9)	(12)	28	(4)	(11)	(41)	(2)	0
Discounts (25%)	(1)	(818)	(892)	(391)	(365)	(379)	(221)	(136)	(13)	(3,216)
Discounts (50%)	-	(30)	(50)	(57)	(57)	(57)	(37)	(33)	(5)	(326)
Effective Dwellings	20	5,004	7,084	3,308	3,401	5,223	4,445	4,165	577	33,227
Ratio to Band D	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	
No. of Band D Equivalents	11	3,336	5,510	2,940	3,401	6,384	6,420	6,941	1,154	36,097

Note: Band A* = properties subject to Disabled Relief.

Contribution in lieu with respect to Class 17 dwellings - Ministry of Defence	17
	<u>36,114</u>
Less: Dwellings where collection of Council Tax is considered to be doubtful	(722)
Council Tax Base	<u>35,392</u>

c) Calculation of the Council Tax Charge

Dwellings are valued by the Assessor and placed within a valuation band ranging from the lowest "A" to the highest "H". The Council Tax charge is calculated using the Council Tax Base Band D equivalents as above. This value is then decreased or increased dependant upon the band of the dwelling. The charges for each band for 2006/07 were as follows:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Council Tax Charge	<u>£800.67</u>	<u>£934.11</u>	<u>£1,067.56</u>	<u>£1,201.00</u>	<u>£1,467.89</u>	<u>£1,734.78</u>	<u>£2,001.67</u>	<u>£2,402.00</u>

Non domestic rates are a tax collected by local authorities from the occupiers of commercial property etc within their area. The rates charge for each subject is determined by the rateable value placed upon it by the Assessor, multiplied by the rate per pound announced each year by the Government. The National Non Domestic Rate Poundage set by the Government was 44.9p for 2006/07 (46.1p for 2005/06). Properties with a rateable value greater than £29,000 are charged a supplement of 0.4p (45.3p) for every £. Properties with a rateable value of £11,500 or less receive small business rate relief. The stepped reduction in the rate poundage will eventually harmonise the Scottish rate with that in England. Full harmonisation will occur in 2007/08 with a further reduction in the rate poundage to 44.1p.

The Contribution to National Non Domestic Rate Pool shown below is the non-domestic rates contributed through the pooling arrangements for government grant purposes. The sum due from Central Rates Pool represents the non-domestic rates distributed to the Council through the Aggregate External Finance mechanism.

a) Non Domestic Rate Income Account

2005/06 £'000		2006/07 £'000	2006/07 £'000
(40,348)	Gross Rates Levied and Contributions In Lieu		(40,965)
	Less:		
5,349	Reliefs and Other Deductions	5,295	
2	Payment of Interest	2	
347	Provision for Bad & Doubtful Debts	243	
(12)	Other Adjustments	(33)	5,507
(34,662)			(35,458)
	Add:		
(98)	Discretionary Relief charged to General Fund		(102)
(34,760)	Contribution to National Non Domestic Rate Pool		(35,560)
(32,398)	Sum due from Central Rates Pool		(32,038)

b) Rateable Values and Numbers of Rateable Subjects as at 1st April 2006

Subject Classification	No. of Subjects	%	Rateable Value (£000)	%
Commercial	2,727	59.3%	59,752	64.5%
Industrial	913	19.9%	14,354	15.5%
Miscellaneous	937	20.4%	15,866	17.1%
Formula Valued Subjects	20	0.4%	2,712	2.9%
	4,597	100%	92,684	100%

I**TRUST FUNDS**

The Council administers a number of trust funds that have arisen usually as a result of gifts or bequests to be used for the benefit of children, schools or residents in homes. These funds do not represent assets of the Council and are not included in the Balance Sheet. The monies are invested in terms of the individual trust deeds with the annual income being used to satisfy the aims of the particular fund. Any surplus monies are reinvested. All investments are shown at cost.

Summary of Trust Funds

	Balance at 1/4/06 £'000	Expenditure 2006/07 £'000	Income 2006/07 £'000	Balance at 31/3/07 £'000
Capital	(32)	-	-	(32)
Revenue	(309)	3	(16)	(322)

Trust Funds Balance Sheet As At 31st March 2007

2005/06 £'000		2006/07 £'000
45	Investments	45
	Current Assets	
<u>296</u>	Temporary Advance to Stirling Council	<u>309</u>
<u>341</u>	Net Assets	<u>354</u>
	Financed by:	
(32)	Fund Balances - Capital	(32)
<u>(309)</u>	Fund Balances - Revenue	<u>(322)</u>
<u>(341)</u>		<u>(354)</u>

Common Good Funds for Stirling and Callander Burghs were taken over from these former authorities in 1975 and are used solely for the benefit of the residents of these areas.

Common Good Funds - Income & Expenditure Account

Total 2005/06 £'000	Notes	Stirling 2006/07 £'000	Callander 2006/07 £'000	Bridge of Allan 2006/07 £'000	Total 2006/07 £'000
Income					
(15)	Shops & Commercial Premises	(15)	-	-	(15)
(5)	Interest Received	(43)	-	(4)	(47)
(20)		(58)	0	(4)	(62)
Expenditure					
(101)	Net (Gain)/Loss on Disposal of Fixed Assets	-	-	(396)	(396)
28	Property Maintenance	4	-	-	4
-	Grounds Maintenance	4	-	-	4
1	Electricity	1	-	-	1
9	Professional Fees	-	-	-	0
1	Payments to Other Agencies	1	-	-	1
1	Marketing Property	-	-	-	0
2	Depreciation	2	-	-	2
(59)		12	0	(396)	(384)
(79)	(Surplus)/Deficit for the year	(46)	0	(400)	(446)

Notes

1. The 2005/06 figure relates to the sale of property at 24 King St, Stirling.
The 2006/07 figure relates to the sale of the Museum Hall, Bridge of Allan.

Common Good Funds Balance Sheet As At 31st March 2007

2005/06 £'000		Stirling 2006/07 £'000	Callander 2006/07 £'000	Bridge of Allan 2006/07 £'000	Total 2006/07 £'000
134	Fixed Assets	132	-	-	132
26	Investments (see note below)	23	3	-	26
Current Assets:					
793	Temporary Advances to Stirling Council	839	3	400	1,242
953	Net Assets	994	6	400	1,400
Financed by:					
(28)	Revaluation Reserve	(27)	-	-	(27)
(925)	Revenue Reserve	(967)	(6)	(400)	(1,373)
(953)		(994)	(6)	(400)	(1,400)

Note on Investments

The total sum is invested with Stirling Council on a long-term basis.

GROUP ACCOUNTS

GROUP INCOME AND EXPENDITURE ACCOUNT

2005/06		2006/07		
Restated				
Net				
Expenditure		Gross	Gross	Net
£'000		Expenditure	Income	Expenditure
		£'000	£'000	£'000
79,754	Children's Services	121,114	(15,132)	105,982
37,421	Community Services	59,777	(21,206)	38,571
24,471	Environment Services	47,489	(27,576)	19,913
1,234	Regeneration Services	15,584	(14,758)	826
7,756	Joint Boards: - Police	8,076	-	8,076
4,534	- Fire	4,634	-	4,634
788	- Valuation	871	-	871
1,412	Corporate Services	17,811	(16,504)	1,307
2,800	Corporate & Democratic Core	5,089	(1,651)	3,438
1,119	Non Distributed Costs	1,906	(2,724)	(818)
161,289	Net Cost of General Services	282,351	(99,551)	182,800
(2,562)	Housing Revenue Account	16,139	(18,031)	(1,892)
32	Stirling & Callander Common Good Funds - Operating Results	(2)	-	(2)
1,839	Share of Operating Results of Associates	30,403	(26,970)	3,433
(6,737)	Share of Operating Results of Joint Ventures - Turnover	-	(629)	(629)
4,511	Share of Operating Results of Joint Ventures - Other	690	(419)	271
158,372	Net Cost of Services	329,581	(145,600)	183,981
(406)	Net (gain)/loss on the disposal of Fixed Assets	(695)	-	(695)
9,940	Interest Payable	10,414	-	10,414
177	Interest Payable by Subsidiaries	170	-	170
459	Share of Interest Payable by Associates	397	-	397
323	Share of Interest Payable by Joint Ventures	204	-	204
61	Net (surplus)/deficit on STO Accounts	3,587	(5,284)	(1,697)
(1,161)	Interest Receivable	-	(2,094)	(2,094)
(67)	Interest Receivable by Subsidiaries	-	(67)	(67)
(79)	Share of Interest Receivable by Associates	-	(101)	(101)
(19)	Share of Interest Receivable by Joint Ventures	-	(216)	(216)
1,571	Pension Interest Costs & Expected Return On Assets	15,757	(15,079)	678
6,268	Pension Interest Costs & Expected Return On Assets - Associates	7,453	(708)	6,745
16	Taxation Payable by Subsidiaries	14	-	14
593	Share of JVs' Taxation Charge	104	-	104
176,048	Net Operating Expenditure	366,986	(169,149)	197,837
9	Minority Interests	14	-	14
176,057	Net Expenditure Before Sources of Finance	367,000	(169,149)	197,851
	Less: Sources of Finance			
(40,673)	Council Tax	-	(43,089)	(43,089)
(30)	Community Charge	-	(16)	(16)
(92,869)	General Government Grants	-	(95,344)	(95,344)
(32,398)	Non Domestic Rates Redistribution	-	(32,038)	(32,038)
10,087	(Surplus)/Deficit For The Year	367,000	(339,636)	27,364

RECONCILIATION BETWEEN STIRLING COUNCIL INCOME AND EXPENDITURE ACCOUNT AND STIRLING COUNCIL GROUP

2005/06 £'000		2006/07 £'000
2,885	(Surplus)/Deficit for the year on the Authority Income and Expenditure Account	17,613
<u>458</u>	Adjustments for transactions with other Group Entities	<u>468</u>
3,343	(Surplus)/Deficit in the Group Income and Expenditure Account attributable to the Authority	18,081
	(Surplus)/Deficit in the Group Income and Expenditure Account attributable to Group Entities:-	
(413)	Subsidiaries	(931)
8,486	Associates	10,480
<u>(1,329)</u>	Joint Ventures	<u>(266)</u>
<u>10,087</u>	(Surplus)/Deficit for the year on the Group Income and Expenditure Account	<u>27,364</u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2005/06		2006/07	
£'000		£'000	£'000
10,087	(Surplus)/Deficit on the Group Income and Expenditure Account		27,364
	(Surplus)/Deficit Arising on Revaluation of Fixed Assets:		
(38,941)	Stirling Council	(23,319)	
(402)	Associates	(174)	(23,493)
	Impairment losses due to Price Changes:		
7,084	Stirling Council	5,993	5,993
	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities:		
10,802	Stirling Council	(21,384)	
13,517	Associates	(11,829)	(33,213)
	Other Miscellaneous (Gains)/Losses recognised in the year:		
(125)	Stirling Council	(1,059)	
39	Subsidiaries	17	
-	Associates	3	
19	Joint Ventures	-	(1,039)
2,080	Total Recognised (Gains)/Losses for the Year		(24,388)

Reconciled to Balance Sheet Movements:

Prior Year Balances:

(138,902)	Fixed Asset Restatement Account	(164,952)
(116,362)	Capital Financing Account	(125,890)
(1,737)	Capital Receipts Reserve	(1,598)
200,793	Pension Reserve	237,865
(11,008)	Other Reserves and Fund Balances	(10,561)
(67,216)		(65,136)

Current Year Balances:

(164,952)	Fixed Asset Restatement Account	(176,862)
(125,890)	Capital Financing Account	(110,654)
(1,598)	Capital Receipts Reserve	(1,571)
237,865	Pension Reserve	216,018
(10,561)	Other Reserves and Fund Balances	(16,455)
(65,136)		(89,524)
2,080	(Increase)/Decrease in Net Worth	(24,388)

GROUP BALANCE SHEET

2005/06		2006/07	
Restated £'000		£'000	£'000
	Fixed Assets		
	<i>Operational Assets</i>		
124,919	Council Houses		127,163
222,300	Other Land and Buildings		206,440
10,627	Vehicles, Plant and Equipment		10,901
42,827	Infrastructure Assets		46,395
1,035	Community Assets		1,564
	<i>Non Operational Assets</i>		
36,865	Investment Properties		47,954
21,687	Assets Under Construction		27,153
3,183	Surplus Properties		5,537
463,443	Total Fixed Assets		473,107
3,313	Deferred Premiums on Early Repayment of Debt		3,234
3,622	Long Term Investments		3,603
600	Venture Forth Development Fund		600
(129,467)	Share in Net Assets / (Liabilities) of Associates		(127,961)
7,034	Share in Gross Assets of Joint Ventures		9,036
(4,882)	Share in Gross Liabilities of Joint Ventures		(6,589)
13,109	Long Term Debtors		12,713
356,772	Total Long Term Assets		367,743
	Current Assets		
319	Stock and Work in Progress	442	
17,983	Debtors and Prepayments	17,782	
17,424	Investments	16,048	
1,213	Cash In Hand	1,287	
36,939			35,559
	Current Liabilities		
(373)	Borrowing Repayable on Demand or Within 12 Months	(381)	
(32,563)	Creditors	(36,875)	
(1,196)	Bank Overdraft	(187)	
(51)	Land Compensation Provision	(247)	
(700)	Insurance Provision	(687)	
(5,338)	Equal Pay Provision	(3,407)	
(3,512)	Temporary Advances to Loans Fund	(2,079)	
(43,733)			(43,863)
349,978	Total Assets Less Current Liabilities		359,439
(97,703)	Net Pension Liability		(77,807)
(148,983)	Long Term Borrowing		(148,610)
(37,810)	Government Grants Deferred Account		(43,146)
65,482	Total Assets Less Liabilities		89,876
	Represented By:		
(164,952)	Fixed Asset Restatement Account		(176,862)
(125,890)	Capital Financing Account		(110,654)
(1,598)	Usable Capital Receipts Reserve		(1,571)
237,865	Pension Reserve		216,018
(10,561)	Other Reserves and Fund Balances		(16,455)
(65,136)	Group Balances and Reserves		(89,524)
(346)	Minority Interests		(352)
(65,482)	Total Balances and Reserves		(89,876)

GROUP CASH FLOW STATEMENT

2005/06			2006-07	
Restated £'000		Notes	£'000	£'000
(18,289)	Net Cash (Inflow)/Outflow From Revenue Activities	K5		(21,735)
(143)	Dividends from Joint Ventures and Associates			-
	Returns on Investments and Servicing of Finance			
10,425	Interest Paid		8,912	
(2,437)	Interest Received		(1,719)	
<u>7,988</u>				<u>7,193</u>
(10,444)	Net Cash (Inflow)/Outflow From Operating Activities			(14,542)
13	Taxation			12
	Capital Expenditure and Financial Investment			
3,889	Purchase of fixed assets		3,226	
29,415	Other capital cash payments		32,123	
(7,832)	Sale of fixed assets		(6,287)	
(10,483)	Capital grants received		(10,394)	
(5,316)	Other capital cash receipts		(4,585)	
<u>9,673</u>				<u>14,083</u>
35	Equity Dividends Paid			35
	Acquisitions and Disposals			
(350)	Sales of Investments in Associates and Joint Ventures			-
<u>(350)</u>				<u>0</u>
(1,073)	Net Cash (Inflow)/Outflow Before Financing			(412)
	Management of Liquid Resources			
(3,678)	Net increase/(decrease) in short term deposits			(1,376)
	Financing			
7,350	Repayments of amounts borrowed		316	
(5,625)	New loans raised		-	
<u>1,725</u>				<u>316</u>
<u>(3,026)</u>	Net (Increase)/Decrease in Cash			<u>(1,472)</u>

NOTES TO THE GROUP ACCOUNTS

1. Combining Entities

The Council has an interest in a number of Subsidiary and Associate Companies along with Joint Ventures. Full details of these interests have already been provided in note 22 of the Balance Sheet (page 35). For the purposes of consolidation and incorporation within the Group Accounts recognition has been made of the Council's controlling interest in four subsidiary Companies, together with its minority interests in five Associates including the Police, Fire and Valuation Joint Boards and three Joint Venture arrangements. The financial outturns of the Stirling, Callander and Bridge of Allan Common Good Funds (page 56) have also been consolidated in full.

The Subsidiary companies that have been consolidated including the proportion of voting rights held by Stirling Council are as follows:

Stirling Business Centre - 91.45%
Stirling Enterprise & Economic Development Company Ltd - 100%
Stirling Technology Projects Ltd - 100%
Venture Forth Ltd - 65%

The Associated companies that have been consolidated including the basis of consolidation are as follows:

Central Scotland Joint Police Board - 32.5% requisition share paid by Stirling Council
Central Scotland Joint Fire Board - 29.9% requisition share paid by Stirling Council
Central Scotland Valuation Joint Board - 35.4% requisition share paid by Stirling Council
Stirling District Tourism Ltd - 42.9% of voting rights held by Stirling Council
Active Stirling Ltd - 41.7% of voting rights held by Stirling Council

The Joint Venture companies that have been consolidated including the proportion of voting rights held by Stirling Council are as follows:

City of Stirling Business Parks Ltd - 50%
City of Stirling Business Parks (Investments) Ltd - 50%
Stirling University Innovation Park Ltd - 50%

The Accounting period end for all entities is the 31st March 2007.

2. Nature of Combination

The Council has accounted for its interest in each Subsidiary using the acquisition method of accounting. In all instances, the consideration paid by the Council equalled the fair value of the assets and liabilities acquired, and therefore no goodwill arose on acquisition.

The Council has accounted for its interest in each Associate using the equity method of accounting. With regard to Stirling District Tourism Ltd, the consideration paid by the Council equalled the fair value of the assets and liabilities acquired, and therefore no goodwill arose on acquisition. With regard to Active Stirling Ltd, as no consideration was paid for such interests, there was no requirement to account for goodwill.

With regard to the three Joint Boards, the Council's interest reflects the requisition share paid by the Council. As no consideration was paid for such interests, there was no requirement to account for goodwill.

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

The property assets of Stirling Technology Projects Ltd and Stirling University Innovation Park Ltd have been revalued from their historic cost basis in order to ensure alignment with the accounting policies of Stirling Council.

3. Exclusions From Consolidation

The following entities have been excluded from consolidation:

Stirling Enterprise Park Ltd and Stirling Enterprise Ltd

Stirling Enterprise Ltd is a wholly owned subsidiary of Stirling Enterprise Park Ltd.

Stirling Council holds the majority of equity capital (83.9% of allotted shares) in Stirling Enterprise Park Ltd, but under normal practices it does not control the majority of voting rights (3 directors out of 8, or 37.5%), nor does it have the right to appoint the majority of the governing board. However, in the event of a poll being demanded at a Board meeting (by 2 Directors), the Council would have ultimate control being the major shareholder, as it is entitled to one vote for each share held, in accordance with Article 18 of the Company's Articles of Association. Under these circumstances it would have been appropriate to account for Stirling Enterprise Park Ltd as a Subsidiary within the group accounts of Stirling Council. However, the reason for exclusion from consolidation is that Stirling Council has neither access to future economic benefits, nor access to benefits in the form of service potential through its interest in Stirling Enterprise Park Ltd.

Benefits are considered to exist when one of the following conditions is met:

The reporting authority has the power to extract distributions of assets from the other entity, and is exposed to risks inherent in those benefits, for example by being liable for certain obligations of the other entity.

The reporting authority has power to dissolve the other entity and obtain a significant level of the residual economic benefits and is exposed to the risks inherent in those benefits.

In accordance with the Memorandum of Association of Stirling Enterprise Park Ltd, Stirling Council does not have the power to extract distributions of assets from the Company. Also, in accordance with the Company's Articles of Association, although Stirling Council has the power to dissolve the Company, it does not however have power to obtain a significant level of the residual economic benefits and is not exposed to the risks inherent in those benefits.

With the exclusion of Stirling Enterprise Park Ltd from consolidation, its wholly owned subsidiary, Stirling Enterprise Ltd, is also automatically excluded from consolidation under group accounting rules.

McLaren Community Leisure Centre (Trading) Ltd

McLaren Community Leisure Centre (Trading) Ltd, a wholly owned subsidiary of McLaren Community Leisure Centre (Holdings) Ltd operates the McLaren Leisure Centre in Callander which is situated within the grounds of McLaren High School. Stirling Council's relationship with McLaren Community Leisure Centre (Trading) Ltd is the entitlement to be represented by one Director out of eight on the company's board, the provision of a lease to the company for the Council-owned land upon which the leisure centre is situated, and a contribution towards any deficit that the leisure centre may incur.

The decision as to whether the company should be consolidated hinges on whether the Council has a significant influence on the direction of the company through its participation in policy decisions. This assumes that the Council is actively involved in the operating and financial policy decisions. Whilst Stirling Council has some role in providing an element of funding to the company, this does not demonstrate an active involvement in its operating and financial policies, and therefore the decision has been taken not to consolidate.

Sport Central

Sport Central is a voluntary sports partnership covering the local authority areas of Stirling, Falkirk and Clackmannanshire. The partnership is funded by a wide range of bodies including SportScotland, local authorities and governing sports bodies. Stirling Council's relationship with Sport Central is the entitlement to be represented by two Directors out of sixteen on the partnership's board, and the provision of a financial contribution to the partnership via Active Stirling (the Host Agency). Active Stirling is currently included as an Associate entity within the consolidated accounts of Stirling Council. During 2006/07, Stirling Council paid a contribution of £23,000 to Sport Central.

Due to the immaterial nature of the contribution, and the fact that the Council cannot exert a significant influence over Sport Central without support from other participants (2 Directors representing 12.5% of voting rights), it is deemed unnecessary to include Sport Central within the consolidated accounts of Stirling Council.

Raploch Urban Regeneration Company Landholdings Ltd

Raploch Urban Regeneration Company (URC) Landholdings Ltd, a wholly owned subsidiary of Raploch Urban Regeneration Company (URC) Ltd is the operating company for the Raploch Regeneration project. Stirling Council's relationship with the company is the entitlement to be represented by two Directors out of six on the company's board.

The company was incorporated on 3rd August 2006. All 2006/07 financial activities relating to Raploch Regeneration capital projects have been coded through Stirling Council accounts, with the exception of a prepaid grant award from the Scottish Executive of £2m received on 26th March 2007, which was paid directly to the

company. Due to the financial inactivity of the company in its own right, it has been deemed unnecessary to include Raploch URC Landholdings Ltd within the 2006/07 consolidated accounts of Stirling Council.

4. Financial Impact of Consolidation

The effect of inclusion of the Council's interests in Subsidiary, Associate and Joint Venture entities on the Group Balance Sheet is to reduce both Reserves and Net Assets by £124.64m. The main reason for this reduction is the inclusion of pension fund deficits attributable to the Police, Fire and Valuation Joint Boards.

	Net Assets/(Liabs)		Group Share of Consolidated Entities' Net Assets/(Liabilities)
	of Consolidated Entities		
	£,000	%	
Central Scotland Joint Police Board	(311,845)	32.5%	(101,350)
Central Scotland Joint Fire Board	(87,337)	29.9%	(26,114)
Central Scotland Valuation Joint Board	(1,954)	35.4%	(692)
Other Consolidated Entities	6,553	53.6%	3,516
	<u>(394,583)</u>		<u>(124,640)</u>

5. Group Cashflow Statement

The impact of incorporating the Subsidiary Companies and the Stirling & Callander Common Good Funds within the Group Cashflow Statement is to increase the positive movement in the net cash position by £0.463m. This increase is primarily due to cash proceeds from the sale of the Museum Hall held within the Bridge of Allan Common Good Fund.

The overall net deficit for the year of £27.364m can be reconciled to the revenue activities net cash inflow of £21.735m as follows:

Deficit per Group I&E Account	£'000	£'000
		27,364
Less Impact of Consolidated Entities on Group I&E Account		<u>(9,751)</u>
Deficit per Stirling Council I&E Account		17,613
Surplus of Consolidated Entities included in Group Cashflow Statement		<u>(140)</u>
		17,473
Non Cash Items		
Adjustments not involving movement of funds	(34,720)	
Contributions (to)/from Provisions	<u>(3,552)</u>	(38,272)
Items on an Accruals Basis		
Increase/(Decrease) in Stock & Work in Progress	123	
Increase/(Decrease) in Debtors	2,216	
(Increase)/Decrease in Creditors	<u>(3,275)</u>	(936)
Net Cash Inflow from Group Revenue Activities		<u>(21,735)</u>

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is prepared in respect of both Stirling Council and the group entities within the Council's consolidated accounts.
2. The Council acknowledges responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The Council's system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Managers within the Council undertake development and maintenance of the system. In particular, the system includes:
 - comprehensive budgeting systems;
 - regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
 - setting targets to measure financial and other performance;
 - the preparation of regular financial reports which indicate actual expenditure against the forecasts;
 - clearly-defined capital expenditure guidelines; and
 - formal project management disciplines as appropriate.
4. Although the work of the Internal Audit Unit primarily covers System and Probity Audits across all Services of the Council, the work undertaken is more varied and includes:-
 - Advice and Consultancy
 - Best Value Support
 - Fraud and Investigation
 - Review of Financial Procedures and Systems
 - Specific tasks requested by Services
 - Value for Money Issues

The Unit operates a five-year rolling audit plan based on the risk assessment methodology prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA). This incorporates any major local risk areas identified within the Council together with audit priorities and concerns raised by senior officials. The plan identifies all areas that require to be reviewed together with an estimate of resources required to implement the plan. The plan is reviewed and revised each year to take account of Service and/or legislative changes with resources being allocated to areas of highest priority.

Audit reports are issued by the Audit Manager directly to Council Services with copies provided to the Head of Resources (as the Section 95 Officer), the Director of Corporate Services, the Chief Executive, External Audit and all Council Members.

The audit work must meet the standards laid down in the CIPFA Code of Practice for Internal Auditors. This is confirmed each year by External Audit in order to place reliance upon the work of the Unit in relation to the core financial systems. Along with other Services within the Council, the Unit is required to meet a number of internal performance indicators. In 2006/07, the Unit's long term and annual audit plans were subject to review and approval by the Council's Governance and Audit Committee.

From the work performed as part of the annual audit plan for 2006/07, the Internal Audit Manager has concluded that after considering all Services' responses and implementation of recommendations made, that reasonable assurance can be placed upon the internal controls in operation throughout the Council.

5. The review of the effectiveness of the system of internal financial control is informed by:
 - The work of managers within the Council;
 - The work of the internal auditors as described above, and
 - The external auditors in their annual audit letter and other reports.

6. From the work carried out by Internal Audit during 2006/07 in respect of Stirling Council, it can be confirmed that other than the issues highlighted in audit reports as recommendations, the system controls were found to be operating as required.

Internal Audit reports highlighted a number of improvements in respect of compliance with Financial Regulations, Contract Standing Orders, Contract Asset Management, Payroll, Housing Benefits and Treasury Management. Recommendations in these areas have been actioned. This has resulted in Services complying with procedures, controls being introduced or strengthened, contracts being managed more effectively, core Services such as Payroll addressing key issues and income and banking arrangements being refined.

Internal Audit carry out a planned programme of follow-up reviews to ensure that all material recommendations from audit reports are implemented. Where agreed actions remain outstanding, these are reported to the Head of Resource Management, the Director of Corporate Services, the Chief Executive and the Governance and Audit Committee. For 2006/07 it can be confirmed that all material recommendations have been, or are currently being acted upon by Services.

Service Directors are required to provide a detailed statement relating to the system of financial controls operating in their service to support this statement. The CIPFA self-assessment forms issued in early 2007 have provided the basis for Services to provide a more detailed and in depth review of financial controls, and from this, has highlighted a number of areas requiring to be addressed. This work will ensure that the control framework across Services continues to be developed, refined and strengthened.

Identified issues will be followed-up by Internal Audit as part of the Internal Financial Control Check programme in the 2007/08 audit plan. This check was set-up specifically to assist and develop controls highlighted by this process. While control issues vary from Service to Service, overall there are sufficient controls in place to ensure that there are no material control weaknesses requiring to be reported.

7. The need for local authorities to comply fully with group accounting arrangements requires also that the Statement of Internal Financial Control should incorporate assurance on the system of internal financial controls within each of the subsidiary entities consolidated within Stirling Council's group accounts. The subsidiary entities that have been consolidated are as follows:

Stirling Business Centre
Stirling Enterprise & Economic Development Company Ltd
Stirling Technology Projects Ltd
Venture Forth Ltd

8. The accounting arrangements for Stirling Business Centre are carried out by Stirling Enterprise Park Ltd, who have confirmed that there are no material control weaknesses requiring to be reported. The remaining entities' accounting arrangements are carried out directly by Stirling Council staff and are subject to the Council's system of internal financial controls. For each of the individual entities, there are no material control weaknesses requiring to be reported.

Signature
Date 26 September 2007

W. R. Watson

Willie Watson CPFA
Head of Resources

INDEPENDENT AUDITOR'S REPORT

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

I certify that I have audited the financial statements of Stirling Council and its group for the year ended 31 March 2007 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash-Flow Statement, Housing Revenue Account Income and Expenditure Account, Statement of Movement on the Housing Revenue Account Balance, Council Tax Income Account, Non-Domestic Rate Income Account, Trust Funds, Common Good Funds, Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Resources and auditor

The Head of Resources' responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2006 - A Statement of Recommended Practice (the 2006 SORP) are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements present fairly the financial position of the local authority and its group in accordance with applicable laws and regulations and the 2006 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the local authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects the authority's compliance with the SORP. I report if, in my opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risk and controls. Neither am I required to form an opinion on the effectiveness of the local authority's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Head of Resources in the preparation of the financial statements, and of whether the accounting policies are appropriate to the local authority's and its group's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of the local authority and its group as at 31 March 2007 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Failure to comply with a statutory requirement

It has not been necessary to qualify my opinion in respect of the following matter.

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2007 in respect of the following significant trading operations:

- Grounds Maintenance
- Refuse Collection
- Building Cleaning
- Catering.

Mark Taylor CPFA, Assistant Director
Audit Scotland – Audit Services
Osborne House, 1/5 Osborne Terrace
Edinburgh, EH12 5HG

26 September 2007