



STIRLING COUNCIL

ABSTRACT OF ACCOUNTS 2007 - 2008

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 2007/08 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

Total Net Expenditure for 2007/08 was £1.4m less than budget as a result of a number of factors:

- Outturn Service expenditure was £0.3m more than budget. All Services reported a net underspend against budget with the exception of Children's and Community Services.
- During the year further provision was made towards the retrospective costs of equal pay claims, which resulted in a £0.2m budget underspend in this area.
- Loan Charges and interest were £2.3m 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 for the year to 6.225%. The Council has benefited from additional capital receipt being received during 2007/08 and has also gained financial benefit from inter-bank temporary lending rates remaining relatively high even though bank base rate has fallen.
- Severance costs of £0.6m from policy savings, together with costs of £0.4m arising from the closure of Rainbow Slides were incurred during the year.
- Sums totalling £0.2m previously held within General Fund Reserves as potential earmarked balances were transferred to uncommitted General Fund Reserves. The transfer represents the decision that the relevant sums no longer require to be earmarked for specific purposes.

Financing Income

Income generated from Revenue Support Grant and Non Domestic Rates during the year was on budget. These elements of funding are distributed by Central Government and represent the majority share of the Council's revenue financing income.

Income generated from Council Tax during the year was on budget. The Council Tax in year collection rate for 2007/08 represents 97.1% of total billings, being an increase of 0.2% from the previous year and is the highest collection rate amongst mainland authorities. Direct debit payments now account for 70% 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 small budget surplus of £40,000 represents collection of prior years' outstanding community charge income.

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.

The Council agreed that the level of Service overspends subject to carry forward and requiring to be recovered in 2008/09 would be £0.280m (£0.255m, 2006/07). The level of Service underspends subject to carry forward for use in 2008/09 would be £0.432m (£0.711m, 2006/07).

Balances

Total General Fund Reserves (including HRA balances) amounted to £13.697m as at 31st March 2008 (£10.752m as at 31st March 2007). HRA balances amounted to £2.280m at 31st March 2008 (£1.645m at 31st March 2007) as outlined in note 3 on page 5. General Fund Reserves also included a number of earmarked balances totalling £5.571m (£5.369m, 2006/07) excluding HRA, as outlined in note 21 to the Balance Sheet (page 42).

After taking account of both HRA and earmarked balances, uncommitted General Fund Balances as at 31st March 2008 were £5.846m representing 2.9% of General Fund Budget (£3.738m, representing 2.1%, 2006/07). The level of uncommitted General Fund balances reflects continued sound budget management throughout the Council, and is in line with the policy that available revenue balances should be maintained at a minimum of 2.5% of General Fund budget.

The following table provides an overview of the uncommitted General Fund financial position for 2007/08:

	Budget £000	Outturn £000	Variance £000
			*() = Underspend
Total Net Expenditure	176,039	174,619	(1,420)
<u>Financed by:-</u>			
Revenue Support Grant & NDR Income	132,991	132,991	0
Council Tax	43,392	43,432	(40)
Financing Income	176,383	176,423	(40)
Net (Surplus)/Deficit for year	(344)	(1,804)	(1,460)
Balances as at 31st March 2007	(4,194)	(4,194)	0
Balances as at 31st March 2008	(4,538)	(5,998)	(1,460)
Balances as at 31st March 2008		(5,998)	
<u>Add:</u>			
Overspends to be Recovered in 2008/09	(280)		
<u>Less:</u>			
Underspends Subject To Carry Forward	432		
		152	
Net General Fund Balances		(5,846)	2.9% of 2008/09 budget

Note:

The 'Balances as at 31st March 2007' figure of £4.194m is the position prior to deducting £0.456m of net Service budget adjustments carried forward to 2007/08 under the Scheme of Devolved Budget Management. These adjustments have been reflected in the Total Net Expenditure Budget figure of £176.039m as stated in the table.

3. Housing Revenue Account

The Housing Revenue Account (HRA) budget underspent by £0.635m in 2007/08 (£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 £2.280m at 31st March 2008 (£1.645m at 31st March 2007).

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 notional interest charged to STOs in 2007/08 was £1.027m (£0.716m, 2006/07). 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. This is also the case for Interest Earned on Revenue Balances (IORB), where this element is included in determining the statutory outturn positions for STOs, but does not require to be reflected in the Income & Expenditure account.

Equal pay provisions of £0.848m have also been charged to STOs during 2007/08, impacting significantly on final outturn positions. The Council currently has seven STOs, of which, Building Cleaning and Catering failed to achieve a break-even position during 2007/08.

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 2005 to 31st March 2008.

In aggregate, the STOs achieved a surplus of £0.695m in 2007/08 (£0.885m surplus in 2006/07) after taking account of exceptional equal pay provisions and notional interest charges.

5. Capital Account

During 2007/08 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 £33.368m against a full year budget of £37.244m, an underspend of £3.876m. A major reason for the reported variance is a delay to a key scheme in the Council's City Transport Strategy, as a result of the planning process. In addition, late receipt of capital grant monies, together with delays in scheme design, contract letting and negotiations for land acquisition have also contributed to the programme underspend.

The final outturn for the Housing Capital Programme shows expenditure of £7.287m against available resources of £7.175m, an overspend of £0.112m.

The construction phase of a Sports Village as one of Stirling Council's Corporate Plan priorities is now well 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 will see the facilities open in April 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.

During 2007/08, the Council entered into discussions and subsequent agreement with its development partner, Valad, about extending the portfolio of City of Stirling Business Parks (CSBP) Ltd, to include most of the Council's existing commercial and industrial properties and to develop some of the Council's key strategic sites. As a result, an agreement was signed in March 2008 to establish Stirling Development Agency (SDA) Ltd, which is the successor company to CSBP Ltd. Under the agreement, five employees transferred from the Council to SDA Ltd under TUPE legislation, and SDA Ltd will manage the council's former property portfolio, for which it paid the Council a capital receipt of £11.8m. The Council may obtain further receipts should SDA Ltd decide to proceed with the development of the sites over which it has options.

6. Borrowing and Lending Arrangements

In accordance with the approved Treasury Management Strategy for 2007/08, 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 2007/08 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 6.225%, and resulted in savings against loan charges budgets of £2.293m for General Services and £0.493m for the Housing Revenue Account.

External Debt Levels and Treasury Management Performance complied with the 2007/08 Prudential Indicators as approved by the Council on 8th February 2007.

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 66-73) have been prepared in accordance with UK GAAP requirements. After consolidation, the Group Balance Sheet shows a reduction in reserves and net assets of £96.679m or 38% from those reported in Stirling Council's Balance Sheet. This represents the Council's share of the net liabilities in consolidated entities with the main reason for the reduction being the inclusion of pension fund deficits attributable to the Police, Fire and Valuation Joint Boards. All consolidated entities are required to follow the 'going concern' basis of accounting. Statutory arrangements with the Scottish Government for the funding of the Police Joint Board deficit and with constituent local authorities for the deficits of the Fire and Valuation Joint Boards means that the financial position of these Boards remains assured.

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 summer 2008, with all schools having been handed over to the Council by mid August. The estimated Unitary Charge is £9.401m from 2010/11 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 £4.417m per annum. Budget has already been allocated to meet the net budget affordability gap for 2008/09, and further budget provision will be made in 2009/10.

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. 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 0.22% lower in 2007/08 after the replacement of employer's contributions with current service costs (0.99% higher in 2006/07).
- Net Operating Expenditure is 0.8% higher in 2007/08 than it otherwise would have been (0.80% higher in 2006/07).
- The requirement to recognise the Net Pension Liability in the Balance Sheet has reduced the reported net worth of the Council by 14.1% in 2007/08. (26.7% reduction in 2006/07)

Hymans Robertson, an independent firm of actuaries, has calculated a net liability position of £41.8m on the Local Government Pension Scheme as at 31st March 2008 (£77.8m as at 31st March 2007). The reported decrease in the net liability position is mainly due to an increase in corporate bond yields during the year, which has had the effect of reducing the value of pension fund liabilities. However, this benefit was offset partly by lower than anticipated investment returns on assets held by the pension fund. The net liability position 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 295% for 2008/09 with provisions beyond this date to be agreed in line with actuarial advice following the formal fund valuation at 31st March 2008. Both employer's contributions and pension investment returns will continue to be monitored on an ongoing basis. Further

pension information is provided in note 9 of the Income and Expenditure Account (pages 24-25) and note 16 of the Balance Sheet (pages 39-40).

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 75-77).

12.Restatement of Prior Year Figures

Balance Sheet comparative figures for 2006/07 have been amended to reflect adjustments made to the classification and carrying values of Fixed Assets. Total Fixed Assets have been restated by £1.205m with a corresponding entry to the Fixed Asset Restatement Account.

Amendments have also been made to comparative figures for 2006/07 to reflect a carry-forward of grant (Modernising Government / Customer First) which had been treated as a creditor but should have been treated as an earmarked balance. The General Fund Balance carried forward increased by £1.041m whilst creditors decreased by this amount.

Signature
Date 30 September 2008

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 2007 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 2008 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, Subsidies and Other Contributions

Grants, subsidies and other contributions 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 developer's contribution the relevant amount of grant or contribution is credited to either the "Government Grants Deferred Account" or "Developers' Contributions Account". Amounts are released from these accounts over the useful life of the asset to match the depreciation charged on the asset to which the grant or contribution relates. Movements on the Government Grant Deferred Account are disclosed in note 17 of the Balance Sheet (page 39). Movements on the Developers' Contributions Account are disclosed in note 18 of the Balance Sheet (page 40).

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 2008 are disclosed in note 8 of the Income and Expenditure Account (pages 23-24).

Note 1e of the Balance Sheet (page 30) 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 9 of the Income and Expenditure Account (pages 24-25) and note 16 of the Balance Sheet (pages 39-40).

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 21 to 24 of the Balance Sheet (pages 42-43).

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 26 of the Balance Sheet (pages 44-47).

11. Fixed Assets

The Council incurs expenditure on the acquisition, construction and enhancement of Council owned assets. The gross cost of acquisition and construction are included in the Asset Register at cost and the value adjusted when a formal valuation takes place as part of a 5 year rolling cycle or when the asset is fully constructed, whichever comes first. When the council spends money to substantially improve its fixed assets, the increase in value or extended useful life is reflected in Balance Sheet valuations. 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:

Software:	Valued at cost
Council Houses:	Valued at Open Market Value, discounted to reflect Right to Buy regulations.
Other Land and Buildings:	Valued on basis of market open value, open market value in existing use or depreciated replacement cost.
Vehicles, Plant & Equipment:	Valued at historical cost net of depreciation
Infrastructure Assets:	Valued at historical cost net of depreciation

Community Assets:	Valued at historical cost net of depreciation
Investment Properties:	Valued on basis of market open value, open market value in existing use or depreciated replacement cost.
Assets under Construction:	Valued at cost
Surplus Properties:	Valued on basis of market open value, open market value in existing use or depreciated replacement cost.

For 2007/08, the cost of purchased software, which in previous years had been charged to revenue, was capitalised as an Intangible Fixed Asset in line with the Accounting Code of Practice. This change in accounting policy reflects more accurately the increasing value of software purchased by the Council.

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 Adjustment 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:

Software:	up to 5 years, with no residual value
Council Houses:	up to 25 years, with no residual value
Other Land and Buildings:	up to 50 years, with no residual value
Vehicles, Plant and Equipment:	up to 20 years
Community Assets:	up to 50 years, with no residual value
Investment Properties:	No Depreciation
Assets under Construction:	No Depreciation
Surplus Assets:	up to 50 years, with no residual value

Land has an infinite life and is not subject to a depreciation charge.

14. Impairment of Fixed Assets

Impairment reviews are carried out at the end of each financial year in accordance with FRS 11, to identify whether any asset values have decreased in the year either due to wear and tear, or general price decreases due to market conditions of the asset. Where reductions are due to wear and tear, the loss is charged to the appropriate Service Revenue Account. Where the reduction is due to market conditions, the loss is charged to the Revaluation Reserve up to the value held in the reserve for that individual asset, with any further balance being charged 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 20 of the Balance Sheet (page 41). 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 PFI 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 Balance Sheet as a Long Term Debtor, with the corresponding entry being within the Capital Adjustment Account.

The PFI charge to Children’s Services is also increased to reflect the fact that the annual charge has reduced as a result of the “donated” asset. 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 Adjustment Account. These entries are written down over the life of the project.

20. 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 summer 2008, with all schools having been handed over to the Council by mid August.

Following an analysis of the risks associated with the project, it was deemed that the Council does not have an asset of the properties. The Council will inherit the schools at nil cost at the end of the 31-year contract. However, under the terms of the contract, the Council sold the old school sites and paid over the capital receipts to the developer as an upfront payment towards the residual value of the schools.

In accordance with statutory accounting guidance, this upfront payment may be treated as a capital item and therefore funded from a capital resource. The payment requires to be held on the Balance Sheet as a Long Term Debtor, and will eventually be moved to Fixed Assets when the assets transfer back to the authority. Any remaining funding gap between the estimated residual value and the up-front payments will be built up as a Long Term Debtor over the term of the contract.

21. Financial Liabilities

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. In terms of the Council’s existing debt portfolio, this means that the

amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

In accordance with statutory guidance on premiums on early repayment of debt, the Council continues to charge premiums to the Income and Expenditure Account in line with previously calculated schedules. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund is managed by a transfer from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The new financial instrument provisions require disclosure of the fair value of financial liabilities where the fair value is determined by calculating the net present value of future cash-flows to provide an estimate of the value of payments in the future in today's terms. For Public Works Loan Board debt, the Council has used the information provided by the Public Works Loan Board, calculated with reference to the premature repayment set of rates in force on the relevant date. Information for non Public Works Loan Board debt has been provided by the Council's Treasury Management Advisors, calculated with reference to the rate applicable in the market on the date of valuation.

22. Financial Assets

Financial Assets are classed as loans and receivables (assets that have fixed or determinable payments but are not quoted in an active market) and are initially measured at fair value and calculated at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount multiplied by the effective rate of interest. This means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Information regarding the Fair Value of loans and receivables has been provided by the Council's Treasury Management Advisors, calculated with reference to the rate applicable in the market on the date of valuation.

23. Impact of Changes Arising from SORP2007

Gains arising from the revaluation of assets from 1st April 2007 are credited to the new Revaluation Reserve. Reductions in an asset's value can be charged to the Revaluation Reserve up to the value of the asset held in the reserve, with the excess being charged to the Income and Expenditure Account.

The Fixed Asset Restatement Account, which held revalued amounts prior to 1st April 2007 and the Capital Adjustment Account, which accounted for the financing of Fixed Assets, were replaced on the 1st April 2007 with the Capital Adjustment Account. The opening balance on this new account equals the closing balance of the Fixed Asset Restatement Account and Capital Adjustment Account.

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

2006/07		2007/08			
Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
106,740	Children's Services		99,956	(11,520)	88,436
38,678	Community Services		67,546	(25,214)	42,332
22,924	Environment Services		45,677	(18,566)	27,111
8,076	Joint Boards: - Police		8,613	-	8,613
4,634	- Fire		4,829	-	4,829
871	- Valuation		907	-	907
1,307	Corporate Services	A2a	18,655	(16,710)	1,945
3,377	Corporate and Democratic Core	A2b	3,278	33	3,311
1,366	Other Services	A2c	2,287	(1,087)	1,200
(818)	Non Distributable Costs	A2d	1,711	-	1,711
187,155	Net Cost of General Services		253,459	(73,064)	180,395
875	Housing Revenue Account	F	19,137	(17,694)	1,443
188,030	Net Cost of Services	A1	272,596	(90,758)	181,838
(305)	Net (gain)/loss on the disposal of Fixed Assets				(7,342)
(1,698)	Net (surplus)/deficit on STO Accounts	E, E1a-g			(1,909)
10,414	Interest payable and similar charges				10,104
(2,046)	Interest and Investment Income				(2,639)
678	Pension Interest Costs & Expected Return On Assets	A9			80
195,073	Net Operating Expenditure				180,132
(43,089)	Council Tax	G			(43,837)
(16)	Community Charge				(35)
(95,344)	General Government Grants				(104,039)
(32,038)	Non Domestic Rates Redistribution	H			(31,732)
24,586	(Surplus)/Deficit For The Year				489

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.

2006/07 £'000		Notes	2007/08 £'000
24,586	(Surplus)/Deficit on the Income and Expenditure Account		489
(28,590)	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	(3,434)
(4,004)	(Increase)/Decrease in General Fund Balance for the Year		(2,945)
(6,748)	General Fund Balance brought forward		(10,752)
(10,752)	General Fund Balance carried forward		(13,697)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/07 £'000		Notes	2007/08 £'000
24,586	(Surplus)/Deficit on the Income and Expenditure Account		489
(25,662)	Surplus Arising on Revaluation of Fixed Assets	C21	(4,451)
(21,384)	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities	C21&24	(37,478)
(22,460)	Total Recognised Gains for the Year		(41,440)

Reconciled to Balance Sheet Movements:

Prior Year Balances:

-	Revaluation Reserve	C21&22	-
3,313	Financial Instruments Adjustment Account	C21	3,234
(157,609)	Fixed Asset Restatement Account		(170,594)
(124,044)	Capital Financing Account		(109,129)
-	Capital Adjustment Account	C21&22	-
(1,230)	Capital Receipts Reserve	C21&22	(1,230)
97,690	Pension Reserve	C21&24	77,807
(6,526)	General Fund (including Housing Revenue A/c balances)	C21	(10,752)
(2,310)	Other Statutory Funds	C21&23	(2,512)
(190,716)			(213,176)

Current Year Balances:

-	Revaluation Reserve	C21&22	(4,364)
3,234	Financial Instruments Adjustment Account	C21	3,154
(170,594)	Fixed Asset Restatement Account		-
(109,129)	Capital Financing Account		-
-	Capital Adjustment Account	C21&22	(277,827)
(1,230)	Capital Receipts Reserve	C21&22	(1,230)
77,807	Pension Reserve	C21&24	41,757
(10,752)	General Fund (including Housing Revenue A/c)	C21	(13,697)
(2,512)	Other Statutory Funds	C21&23	(2,409)
(213,176)			(254,616)
(22,460)	Increase in Net Worth		(41,440)

BALANCE SHEET

2006/07			2007/08	
£'000		Notes	£'000	£'000
	Intangible Fixed Assets			
-	Software Licences	C1a(i)		202
	Tangible Fixed Assets			
	<i>Operational Assets</i>			
127,673	Council Houses	C1a(i)		124,431
200,886	Other Land and Buildings	C1a(i)		193,051
10,807	Vehicles, Plant and Equipment	C1a(i)		10,155
46,473	Infrastructure Assets	C1a(i)		49,687
1,649	Community Assets	C1a(i)		1,863
	<i>Non Operational Assets</i>			
50,139	Investment Properties	C1a(i)		13,261
26,490	Assets Under Construction	C1a(i)		40,738
8,154	Surplus Properties	C1a(i)		6,028
472,271	Total Fixed Assets	C1a(ii) C2		439,416
4,016	Long Term Investments	C1b		4,027
12,713	Long Term Debtors	C1c		34,630
489,000	Total Long Term Assets			478,073
	Current Assets			
442	Stock and Work in Progress		188	
17,808	Debtors and Prepayments	C5	21,448	
16,112	Investments	C6	44,411	
(187)	Bank		384	
39	Cash		36	
34,214				66,467
	Current Liabilities			
(429)	Borrowing Repayable on Demand or Within 12 Months	C7, C8-11	(277)	
(31,339)	Creditors	C12	(32,151)	
(247)	Land Compensation Provision	C13	(257)	
(687)	Insurance Provision	C14	(721)	
(3,407)	Equal Pay Provision	C20	(4,815)	
(3,321)	Temporary Advances to Loans Fund	C15	(3,170)	
(39,430)				(41,391)
483,784	Total Assets Less Current Liabilities			503,149
(77,807)	Net Pension Liability	C16		(41,757)
(149,655)	Long Term Borrowing	C7, C8-11		(147,726)
(43,146)	Government Grants Deferred Account	C17		(54,862)
-	Developers' Contributions Account	C18		(4,188)
213,176	Total Assets Less Liabilities	C19		254,616
	Represented By:			
-	Revaluation Reserve	C21&22		(4,364)
3,234	Financial Instruments Adjustment Account	C21		3,154
(170,594)	Fixed Asset Restatement Account			-
(109,129)	Capital Financing Account			-
-	Capital Adjustment Account	C21&22		(277,827)
(1,230)	Capital Receipts Reserve	C21&22		(1,230)
77,807	Pension Reserve	C21&24		41,757
(10,752)	General Fund (including Housing Revenue A/c)	C21		(13,697)
(2,512)	Other Statutory Funds	C21&23		(2,409)
(213,176)		C19		(254,616)

The unaudited accounts were issued on 16th June 2008 and the audited accounts were authorised for issue on 30th September 2008. In my opinion the Abstract of Accounts presents fairly the financial position of the Council as at 31st March 2008 and its income and expenditure for the year then ended.

Signature
Date 30 September 2008

W. R. Watson

Willie Watson CPFA
Head of Resources

CASH FLOW STATEMENT

2006/07 £'000		Notes	2007/08 £'000
	Revenue Activities		
126,578	Cash Paid to and on Behalf of Employees		129,491
128,554	Other Operating Cash Payments		136,425
4,579	Housing Benefit paid out		5,065
<u>259,711</u>			<u>270,981</u>
(5,626)	Rents (after rebates)		(5,587)
(43,049)	Council Tax / Community Charge receipts		(43,912)
(35,475)	Non Domestic Rates Receipts		(34,656)
3,000	Non Domestic Rates - Receipts to/(from) National Pool		4,015
(95,344)	Revenue Support Grant	D4	(104,039)
(4,438)	DWP grants for benefits	D4	(4,755)
(29,625)	Other Government Grants	D4	(27,532)
(55,013)	Cash received for goods and services		(54,590)
(15,564)	Other operating cash receipts		(18,451)
<u>(281,134)</u>			<u>(289,507)</u>
(21,423)	Net cash (inflow)/outflow from Revenue Activities	D1	(18,526)
	Dividends from Joint Ventures and Associates		
-	Dividends Received		-
<u>0</u>	Net cash (inflow)/outflow from Dividends		<u>0</u>
	Returns on Investments and Servicing of Finance		
8,914	Interest Paid		11,736
(1,839)	Interest Received		(2,067)
<u>7,075</u>	Net cash (inflow)/outflow from Servicing of Finance		<u>9,669</u>
	Capital Activities		
3,226	Purchase of fixed assets		25,380
32,123	Other capital cash payments		42,104
<u>35,349</u>			<u>67,484</u>
(5,882)	Sale of fixed assets		(69,077)
(10,394)	Capital grants received		(13,451)
(4,585)	Other capital cash receipts		(5,178)
<u>(20,861)</u>			<u>(87,706)</u>
14,488	Net cash (inflow)/outflow from Capital Activities		(20,222)
	Acquisitions and Disposals		
-	Investments in Associates or Joint Ventures		1,984
-	Sales of Investments in Associates or Joint Ventures		(1,974)
<u>0</u>	Net cash (inflow)/outflow from Acquisitions and Disposals		<u>10</u>
140	Net cash (inflow)/outflow before Financing		(29,069)
	Management of Liquid Resources		
(1,376)	Net increase/(decrease) in short term deposits	D3	28,227
	Financing		
227	Repayments of amounts borrowed	D5	274
-	New loans raised		-
<u>227</u>	Net cash (inflow)/outflow from Financing		<u>274</u>
(1,009)	Net (Increase)/Decrease In Cash	D2, 6	(568)

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:

2006/07		2007/08		
Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
148	Equal Pay Corporate/Admin/Legal Costs	590	-	590
624	Net (surplus)/deficit on Internal Trading Services	186	-	186
1,202	Modernising Government / Customer First	512	11	523
-	Geographical Information Services	462	(681)	(219)
(203)	Net (surplus)/deficit on Insurance Account	420	-	420
-	Safety Camera Partnership	341	(341)	0
29	Unapportionable Central Overheads	293	-	293
102	Non Domestic Rates - Discretionary Relief	94	-	94
151	Depreciation on Surplus Properties	58	-	58
62	Land Compensation Provision	13	-	13
6	Bad Debt Provision	(4)	-	(4)
(544)	Other Unapportionable Pension Adjustments	(678)	-	(678)
(219)	Council Tax / NDRI Penalty Charge Income	-	(8)	(8)
-	Earlsburn Windfarm Deposit	-	(68)	(68)
26	Other Miscellaneous Costs	-	-	0
(18)	Deferred Government Grants	-	-	0
1,366	Other Services	2,287	(1,087)	1,200
2,229	Democratic Representation & Management	1,889	148	2,037
1,027	Corporate Management	1,189	(62)	1,127
121	HRA Share of Corporate & Democratic Core	200	(53)	147
3,377	Corporate & Democratic Core	3,278	33	3,311
(2,724)	Pensions - Past Service Costs	196	-	196
1,906	Pensions - Settlements and Curtailments	1,515	-	1,515
(818)	Non Distributed Costs	1,711	0	1,711
674	Local Tax Collection	2,371	(1,698)	673
275	District Court	691	(518)	173
69	Registration of Births, Deaths & Marriages	235	(167)	68
57	Elections	401	(158)	243
96	Emergency Planning	99	-	99
43	Licensing	-	-	0
1,214	Central Services To Public	3,797	(2,541)	1,256
871	Central Scotland Valuation Joint Board	907	-	907
-	Redundancy Payments	521	-	521
871	Other Operating Income and Expenditure	1,428	0	1,428
6,010	Central Services	12,501	(3,595)	8,906

2006/07		2007/08		
Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,076	Police Services	8,613	-	8,613
4,634	Fire Services	4,829	-	4,829
1,898	Cultural & Heritage	2,700	(839)	1,861
2,733	Library Service	2,999	(270)	2,729
8,694	Recreation and Sport	11,237	(747)	10,490
699	Tourism	884	(204)	680
14,024	Cultural & Related Services	17,820	(2,060)	15,760
13,755	Centrally Held Funding	17,817	(5,655)	12,162
84,907	Individual School Budgets	72,593	(4,719)	67,874
2,326	Non School Funding	3,874	(1,475)	2,399
100,988	Education Services	94,284	(11,849)	82,435
245	Burial Services	732	(407)	325
2,756	Environmental Health	3,545	(629)	2,916
352	Trading Standards	411	(55)	356
1,943	Waste Disposal	4,927	(3,861)	1,066
4,740	Waste Collection	7,921	(2,715)	5,206
10,036	Environmental Services	17,536	(7,667)	9,869
942	Housing Strategy	1,112	(233)	879
(7)	Housing Benefit Administration	14,358	(14,169)	189
199	Homelessness	1,951	(1,565)	386
70	Other Council Property	131	(145)	(14)
93	Private Sector Housing	1,429	(1,387)	42
(87)	Supporting People	5,049	(4,672)	377
1,210	Housing Services (General Fund)	24,030	(22,171)	1,859
875	Housing Revenue Account	19,137	(17,694)	1,443
368	Network and Traffic Management	511	(83)	428
(623)	Parking Services (On/Off Street Car Parking)	1,801	(2,231)	(430)
1,509	Public Transport	4,088	(1,933)	2,155
7,252	Highways And Roads Maintenance	10,316	(1,016)	9,300
775	Transport Planning Policy and Strategy	1,351	(460)	891
9,281	Roads & Transport Services	18,067	(5,723)	12,344
(469)	Building Control	664	(778)	(114)
3	Development Control	396	(517)	(121)
1,578	Economic Development	1,744	(482)	1,262
656	Planning Policy	702	(20)	682
1,768	Planning And Development Services	3,506	(1,797)	1,709

2006/07		2007/08		
Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
6,378	Children and Families	8,294	(1,046)	7,248
62	Criminal Justice	8,325	(8,205)	120
201	Adults with Addiction and Substance Abuse	282	(74)	208
14,165	Older Persons	20,637	(5,891)	14,746
6,627	Adults with Learning Disabilities	9,367	(1,374)	7,993
656	Adults with Mental Health Needs	849	(645)	204
2,188	Adults with Physical or Sensory Disabilities	3,614	(938)	2,676
766	Service Strategy	620	(29)	591
31,043	Social Work	51,988	(18,202)	33,786
85	Significant Trading Operations	285	-	285
188,030	Net Cost of Services	272,596	(90,758)	181,838

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 Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Housing Benefit Administration	14,358	(14,169)	189
Local Tax Collection	2,371	(1,698)	673
District Court	691	(518)	173
Registration Services	235	(167)	68
Elections	401	(158)	243
Emergency Planning	99	-	99
Corporate Services - Front-Line Services	18,155	(16,710)	1,445
Redundancy Payments	521	-	521
Internal Works Carried Out By STOs	(21)	-	(21)
Total Corporate Services	18,655	(16,710)	1,945

(b) Corporate and Democratic Core

Corporate and Democratic Core represents the cost of democracy arising from the administration of the Council.

	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Democratic Representation & Management	1,889	148	2,037
Corporate Management	1,189	(62)	1,127
HRA Share of Corporate & Democratic Core	200	(53)	147
Corporate & Democratic Core	3,278	33	3,311

(c) Other Services

Other Services includes those elements of expenditure and income where allocation to individual Services would be deemed inappropriate due to their nature, such as unapportionable central overheads.

	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Equal Pay Corporate/Admin/Legal Costs	590	-	590
Net (surplus)/deficit on Internal Trading Services	186	-	186
Modernising Government / Customer First	512	11	523
Geographical Information Services	462	(681)	(219)
Net surplus/deficit on Insurance A/c	420	-	420
Safety Camera Partnership	341	(341)	0
Unapportionable Central Overheads	293	-	293
Non Domestic Rates - Discretionary Relief	94	-	94
Depreciation on Surplus Properties	58	-	58
Land Compensation Provision	13	-	13
Bad Debt Provision	(4)	-	(4)
Other Pension Adjustments	(678)	-	(678)
Council Tax / NDRI Penalty Charge Income	-	(8)	(8)
Earlsburn Windfarm Deposit	-	(68)	(68)
Other Services	2,287	(1,087)	1,200

(d) 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	196	-	196
Pensions - Settlements and Curtailments	1,515	-	1,515
Non Distributed Costs (NDC)	1,711	0	1,711

3. Balforn High School Private Finance Initiative

In March 2000, the Council signed a contract for the provision of a new High School at Balforn, together with associated Facilities Management Services under the Government's Private Finance Initiative (PFI). 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 Balforn High School PFI agreement borne by the Income and Expenditure Account in 2007/08 was £2.116m (£2.044m, 2006/07).

4. Stirling 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 summer 2008, with all schools having been handed over to the Council by mid August.

The estimated Unitary Charge is £9.401m from 2010/11 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 £4.417m per annum. Budget has already been allocated to meet the net budget affordability gap for 2008/09, and further budget provision will be made in 2009/10. The net costs of the Stirling Schools PPP agreement borne by the Income and Expenditure Account in 2007/08 was £1.822m (£0.477m, 2006/07).

5. 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:

2006/07 £'000		2007/08 £'000
228	Staff Recruitment & Advertising	242
15	Tourism & Business Promotion	17
141	Advertising & Promotional Initiatives	215
210	Publicity & Marketing	164
<u>594</u>		<u>638</u>

6. 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:

2006/07 £'000		2007/08 £'000
(211)	Scottish Water	(219)
27	New Roads & Street Works	(51)
<u>(184)</u>		<u>(270)</u>

7. Local Authorities (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During 2007/08 the Council received income through provision of the following services to other public bodies:

2006/07 £'000		2007/08 £'000
(25)	Grounds Maintenance	(50)
(33)	Cleaning	(38)
(246)	Catering	(241)
(1,736)	Maintenance of roads & car parks	(861)
<u>(2,040)</u>		<u>(1,190)</u>

8. Lease Commitments

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

Actual Lease Payments 2006/07 £'000		Actual Lease Payments 2007/08 £'000	Committed Lease Payments 2008/09 £'000	<u>2008/09 Committed Lease Payments Analysed Between:</u>		
				Leases Expiring During 2009/10 £'000	Leases Expiring Between 2010/11 & 2012/13 £'000	Leases Expiring From 2013/14 Onwards £'000
906	Property	1,104	1,079	48	80	951
224	Plant & Machinery	200	163	85	78	-
<u>1,130</u>		<u>1,304</u>	<u>1,242</u>	<u>133</u>	<u>158</u>	<u>951</u>

There were no payments made under finance leases during 2007/08.

Operating lease property rentals receivable by the Council during 2007/08 were as follows:

2006/07 £'000		2007/08 £'000
<u>(4,575)</u>	Operating Leases	<u>(3,592)</u>
<u>(4,575)</u>		<u>(3,592)</u>

No finance lease rentals were receivable by the Council during 2007/08.

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

9. 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 2007/08 the Council paid £4.57m to the Scottish Executive in respect of teachers' pension costs, which represents 13.5% of teachers' pensionable pay. (£4.08m, representing 12.5% of pensionable pay in 2006/07).

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 2007/08, these amounted to £0.7m, representing 2.07% of pensionable pay (£0.7m, representing 2.14% of pensionable pay in 2006/07).

Other Employees

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

In 2007/08 the Council paid an employer's contribution of £8.5m into the Pension Fund representing 16% of pensionable pay (£7.4m, representing 14.2% of pensionable pay in 2006/07).

The increase in costs from 2006/07 is attributable to the stepping up of the employer's contribution rate from 240% to 270% 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 295% of employee contributions for 2008/09.

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:

31/3/07		31/3/08
£'000		£'000
	<u>Income and Expenditure Account</u>	
	Net Cost of Services:	
11,383	Current Service Cost	10,344
(2,724)	Past Service Cost	196
1,906	Settlements & Curtailments	1,515
	Net Operating Expenditure:	
15,757	Interest Cost	17,330
(15,079)	Expected Return on Assets in the Scheme	(17,250)
11,243	Net Charge to the Income and Expenditure Account	12,135
	<u>Statement of Movement in the General Fund Balance</u>	
(11,243)	Reversal of net charges made for retirement benefits in accordance with FRS17	(12,135)
	Actual amount charged against the General Fund	
	Balance for pensions in the year:	
9,742	Employers Contributions payable to the Scheme	10,707

Note 16 of the Balance Sheet (pages 39-40) outlines the assumptions made in estimating the figures included above.

10. Members' Allowances

During the period 1st April 2007 to 3rd May 2007 total allowances and expenses paid to Elected Members of the Council were £44,000 and £4,000 respectively. Following the Local Government elections on 3rd May 2007, basic and special responsibility allowances were replaced by a salaried scheme for Elected Members. During the period 4th May 2007 to 31st March 2008 total salaries and expenses paid to Elected Members of the Council were £330,000 and £25,000 respectively. Total allowances paid to Elected Members of the Council during 2006/07 were £325,000.

11. Officers' Remuneration

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

2006/07			Remuneration band	2007/08		
Non Teaching Staff	Teaching Staff & Educational Advisers	Total Staff		Non Teaching Staff	Teaching Staff & Educational Advisers	Total Staff
13	14	27	£50,000 - £59,999	19	19	38
15	7	22	£60,000 - £69,999	13	5	18
-	-	0	£70,000 - £79,999	1	-	1
4	-	4	£80,000 - £89,999	4	-	4
1	-	1	£90,000 - £99,999	-	-	0
-	-	0	£100,000 - £109,999	1	-	1
33	21	54		38	24	62

12. 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 2007/08 the following represents material transactions with other related parties not separately disclosed elsewhere within the Statement of Accounts.

2006/07 Restated £'000		2007/08 £'000
1,001	Forth Valley NHS Primary Care Trust	1,211
1,018	Clackmannanshire Council	909
5,716	Falkirk Council	4,822
<u>7,735</u>		<u>6,942</u>

13. Audit Costs

The Council paid the following fees during 2007/08 in relation to external audit and inspection:

2006/07 £'000		2007/08 £'000
276	For external and other audit work carried out by the appointed auditor	275
<u>276</u>		<u>275</u>

14. Prior Period Adjustments

Balance Sheet comparative figures for 2006/07 have been amended to reflect adjustments made to the classification and carrying values of Fixed Assets. Total Fixed Assets have been restated by £1.205m with a corresponding entry to the Fixed Asset Restatement Account.

Amendments have also been made to comparative figures for 2006/07 to reflect a carry-forward of grant (Modernising Government / Customer First) which had been treated as a creditor but should have been treated as an earmarked balance. The General Fund Balance carried forward increased by £1.041m whilst creditors decreased by this amount.

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

2006/07 £'000		2007/08 £'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	
(36,755)	Depreciation of fixed assets	(16,956)
(5,945)	Impairment of fixed assets	(6,129)
2,870	Government Grants Deferred/Developers' Contributions amortisation	2,779
305	Net gain/(loss) on sale of fixed assets	7,342
(11,243)	Net charges made for retirement benefits in accordance with FRS17	(12,135)
(50,768)		(25,099)
	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	
8,555	Loans Fund principal repayments	8,998
3,585	Capital expenditure charged in-year to the General Fund Balance	1,983
-	Amortisation of Premiums and Discounts	80
9,742	Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	10,707
21,882		21,768
	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	
296	Transfer to/(from) Insurance Reserve	(303)
-	Transfer to/(from) Repairs & Renewals Fund	200
296		(103)
(28,590)	Net additional amount required to be debited/(credited) to the General Fund balance for the year	(3,434)

2. Scheme of Devolved Budget Management to Schools

Under the terms of the Scheme of Devolved Management to Schools, Schools are permitted to carry forward to the following year up to a maximum of 2.5% of total devolved budget. An earmarked sum of £0.27m has been set aside within General Fund balances (2006/07 £0.83m).

C. Notes to the Balance Sheet

1. Long Term Assets

(1a) (i) Movement in Fixed Assets 2007/08 - By Class of Asset

Operational Assets

	Council Houses £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000
Net Book Value as at 31st March 2007	127,163	204,402	10,899	46,395	1,564
Restatements	510	(3,516)	(92)	78	85
Restated Net Book Value 31st March 2007	127,673	200,886	10,807	46,473	1,649
Gross Book Value 31st March 2007	144,276	243,375	18,355	57,912	1,675
Accumulated Depreciation	(16,603)	(42,489)	(7,548)	(11,439)	(26)
Net Book Value 31st March 2007	127,673	200,886	10,807	46,473	1,649
Movements in 2007/08					
Additions	6,345	6,648	2,845	5,507	219
Disposals	(3,702)	(19,139)	(491)	0	0
Revaluations/Restatements	0	4,451	0	0	0
Impairments	(2,900)	(852)	(54)	(351)	0
Depreciation current	(3,485)	(8,274)	(3,189)	(1,942)	(5)
Depreciation disposals	500	9,331	237	0	0
Net Book Value 31st March 2008	124,431	193,051	10,155	49,687	1,863

Non-Operational & Intangible Assets

	Investment Properties £'000	Assets under Construction £'000	Surplus Assets £'000	Software £'000	GRAND TOTAL £'000
Net Book Value as at 31st March 2007	47,954	27,153	5,537	0	471,067
Restatements	2,185	(663)	2,617	0	1,204
Restated Net Book Value 31st March 2007	50,139	26,490	8,154	0	472,271
Gross Book Value 31st March 2007	50,139	26,490	8,619	0	550,841
Accumulated Depreciation	0	0	(465)	0	(78,570)
Net Book Value 31st March 2007	50,139	26,490	8,154	0	472,271
Movements in 2007/08					
Additions	618	24,247	0	205	46,634
Disposals	(37,496)	(9,999)	(99)	0	(70,926)
Revaluations/Restatements	0	0	0	0	4,451
Impairments	0	0	(1,972)	0	(6,129)
Depreciation current	0	0	(58)	(3)	(16,956)
Depreciation disposals	0	0	3	0	10,071
Net Book Value 31st March 2008	13,261	40,738	6,028	202	439,416

(1a) (ii) Movement in Fixed Assets 2007/08 – By Account

	General Services £'000	Housing Revenue A/c £'000	Significant Trading Ops £'000	TOTAL £'000
Net Book Value at 31st March 2007	328,663	139,357	3,047	471,067
Restatements	694	510	0	1,204
Restated Net Book Value at 31st March 2007	329,357	139,867	3,047	472,271
Gross Book Value at 31st March 2007	389,794	156,990	4,057	550,841
Accumulated Depreciation	(60,437)	(17,123)	(1,010)	(78,570)
Net Book Value at 31st March 2007	329,357	139,867	3,047	472,271
Movements in 2007/08				
Additions	39,938	6,345	351	46,634
Disposals	(65,392)	(5,356)	(178)	(70,926)
Revaluations/Restatements	3,968	483	0	4,451
Impairments	(3,229)	(2,900)	0	(6,129)
Depreciation - total	(3,170)	(3,065)	(650)	(6,885)
Net Book Value at 31st March 2008	301,472	135,374	2,570	439,416

(1a) (iii) Summary of Capital Expenditure And Receipts 2007/08 - 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	6,345	28,940	2,845	5,507	219	25,070	143	69,069
Capital Receipts	(7,172)	(20,449)	(895)	(2,845)	(90)	(57,412)	0	(88,863)
Loans Fund Repayments	(827)	8,491	1,950	2,662	129	(32,342)	143	(19,794)

Note: Other Land & Buildings Expenditure includes £22.082m Public Private Partnership payments classified as long term debtors. and £0.210m for Balfron PFI.

Other Capital Expenditure includes expenditure on house loans.

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

(1b) Long Term Investments

31/3/07 £'000		31/3/08 £'000
15	Stirling Enterprise Park	15
2,523	City of Stirling Business Parks (Investments) Ltd	436
1,008	Stirling Development Agency Ltd	3,106
294	Venture Forth Ltd	294
176	SEEDCO Ltd	176
4,016		4,027

(1c) Long-Term Debtors

	Police Debt £'000	Loans for Housing £'000	Balfron PFI £'000	Schools PPP £'000	Total Debtors £'000
Balance as at 1st April 2007	10,866	214	1,633	0	12,713
Police Debt due to Loans Fund	(574)	-	-	-	(574)
Balfron High School (see note)	-	-	289	-	289
Schools PPP (see note)	-	-	-	22,082	22,082
House Loan Advances	-	143	-	-	143
House Loan Repayments	-	(23)	-	-	(23)
Balance as at 31st March 2008	10,292	334	1,922	22,082	34,630

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 will accumulate over time and has been reflected in the annual accounts as a long-term debtor.

Note: Under the terms of the Schools PPP agreement, ownership of the schools will pass to the Council when the contract terminates in August 2039. The Council has made an upfront payment towards the estimated residual value of the schools and this has been reflected in the annual accounts as a long-term debtor.

(1d) Gross capital expenditure for the year to 31st March 2008 was financed as follows:

	£'000	£'000	£'000
Repayments to Loans Fund			(19,794)
Capital Income:			
Sale of Assets - House Sales	4,813		
Sale of Assets - Other Sales	63,384		
Developers' Contributions	4,205		
Grants and Contributions	14,478	86,880	
CFCR - General Services	553		
CFCR - Housing Revenue Account	1,430	1,983	
			88,863
			69,069

(1e) Leases

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

2006/07 £'000		2007/08 £'000
148,276	Gross Assets held for use in Operating Leases	33,235
(9,833)	less: Accumulated Depreciation	(3,789)
138,443	Net Assets held for use in Operating Leases	29,446

Note 8 to the Income and Expenditure Account (pages 23-24) outlines the Council's payment obligations under operating leases.

2. Information On Assets Held

As at 31st March 2008, the number of fixed assets owned by the Council include the following:

	Assets as at 31/3/08		Assets as at 31/3/08
Operational Buildings		Infrastructure Assets	
Community Centres / Halls	32	Bridges	21
Art and Entertainment Venues	2	Memorials/Street Furniture	49
Car Parks	40	Highways	10
Depots	6	Lighting	11
Industrial Premises	5	Transport Facilities	10
Libraries	17	Parking Areas	2
Council Offices	32	Public Transport	3
Public Conveniences	27	Roads	47
Shops	38		
Sports Clubs/Facilities	28		
Day Care Centres	4	Community Assets	
Primary Schools	43	Cemeteries/ Churchyards	67
Secondary Schools	4	Parks, Open Spaces and Play Areas	197
Special Education Properties	3		
Nursery Schools	11		
Residential Care Homes for the Elderly	3		
Other Residential Homes	2		
Governors/substations	10		
Hostels	6		
School Houses	13		
Miscellaneous Land/Buildings/Aids	122		
Tourism	4		

3. Capital Commitments

As at 31st March 2008, the Council had the following major contracts in place and was committed to expenditure as follows:

Description	Amount £000's
General Services	
Sports Village	10,719
Bannockburn High School	2,900
West Park & Ride Facility	356
Killin Bus Turning Area	210
	14,184
Housing Services	
Structural Works	875
Kitchen, Bathroom & Central Heating - Council Houses	9,060
	9,935

Note: The above figures include internal contracts carried out by the Council's Significant Trading Operations.

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

2006/07			2007/08	
£'000	£'000		£'000	£'000
6,337		Council Tax	6,382	
<u>(5,462)</u>	875	<u>Less: Provision</u>	<u>(5,333)</u>	1,049
2,030		Non Domestic Rates	2,005	
<u>(1,135)</u>	895	<u>Less: Provision</u>	<u>(1,062)</u>	943
1,230		Housing Rents	1,279	
<u>(825)</u>	405	<u>Less: Provision</u>	<u>(848)</u>	431
3,865		Sundry Debtors	3,736	
<u>(862)</u>	3,003	<u>Less: Provision</u>	<u>(1,076)</u>	2,660
878		Council Tax/NDRI Penalty Charge Income	909	
<u>(659)</u>	219	<u>Less: Provision</u>	<u>(682)</u>	227
10,893		Accrued Income and General Prepayments	14,699	
<u>1,518</u>	12,411	Balfon High School Site Prepayment	<u>1,439</u>	16,138
	<u>17,808</u>	Balance per Balance Sheet		<u>21,448</u>

6. Investments

As at 31st March 2008, the Council had the following funds invested short term with other organisations:

2006/07			2007/08	
£'000	£'000		£'000	£'000
9,600		Local Authorities	14,950	
-		Bank of Scotland Base Plus Account	5,000	
-		Alliance & Leicester Commercial Bank	5,000	
-		Co-operative Bank	4,000	
-		Nationwide Building Society	4,000	
2,300		Royal Bank of Scotland Money Market Services	3,325	
-		Clydesdale Bank	3,000	
-		Bradford & Bingley PLC	2,000	
-		Britannia Building Society	1,000	
-		Coventry Building Society	1,000	
-		Skipton Building Society	1,000	
2,600		West Bromwich Building Society	-	
1,000		Northern Rock Plc	-	
<u>548</u>		Corporate Money Market Account	<u>-</u>	
16,048		Total Short Term Investments	44,275	
64		Interest accrued on Investments	136	
<u>16,112</u>		Total Short Term Investments	<u>44,411</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 2008 was as follows:

As at 31/3/07 £'000		As at 31/3/08 £'000
	Borrowing Repayable on Demand or Within 12 Months	
(100)	Public Works Loans Board	(100)
(150)	Covenant	(150)
(24)	European Investment Bank	(26)
(7)	Local Lenders	0
(100)	Temporary Loans	0
<u>(381)</u>		<u>(276)</u>
(48)	Accrued Interest on Borrowing	(1)
<u>(429)</u>		<u>(277)</u>
	Long Term Borrowing	
(143,978)	Public Works Loans Board	(143,878)
(1,000)	Covenant Schemes	(850)
(154)	European Investment Bank	(128)
(1,000)	Market Bonds	(1,000)
(57)	Local Lenders	(64)
<u>(146,189)</u>		<u>(145,920)</u>
(3,466)	Accrued Interest on Borrowing	(1,806)
<u>(149,655)</u>		<u>(147,726)</u>
	Maturity Periods:	
(276)	Repayable in 1-2 years	(283)
(2,899)	Repayable in 2-5 years	(4,910)
(17,740)	Repayable in 5-10 years	(19,895)
(52,355)	Repayable in 10-20 years	(50,913)
(7,512)	Repayable in 20-30 years	(4,512)
(65,408)	Repayable in more than 30 years	(65,407)
<u>(146,189)</u>		<u>(145,920)</u>
(3,466)	Accrued Interest on Borrowing	(1,806)
<u>(149,655)</u>		<u>(147,726)</u>
<u>31 Years</u>	Average Maturity Period	<u>29.8 Years</u>

8. Financial Instruments Classification

The borrowings and investments disclosed in the Balance Sheet at 31st March 2008 comprise the following categories of financial instruments:

	Long Term		Current	
	31 Mar 07	31 Mar 08	31 Mar 07	31 Mar 08
	£'000	£'000	£'000	£'000
PWLB debt	(147,444)	(145,684)	(146)	(100)
Non-PWLB debt	(2,211)	(2,042)	(283)	(177)
Total Debt	(149,655)	(147,726)	(429)	(277)
Bank Overdraft	0	0	(187)	0
Trade Creditors	0	0	(8,380)	(7,996)
Temporary Advances to Loans Fund	0	0	(3,321)	(3,170)
Total Financial Liabilities at Amortised Cost	(149,655)	(147,726)	(12,317)	(11,443)
Investments	0	0	16,112	44,411
Bank Deposits	0	0	0	384
Trade Debtors	0	0	3,865	3,736
Long Term Investments	3,531	3,542	0	0
Total Loans and Receivables	3,531	3,542	19,977	48,531
Available for Sale	485	485	0	0
Total Financial Assets	4,016	4,027	19,977	48,531

Financial liabilities and financial assets classed as loans and receivables are initially measured at fair value then carried on the Balance Sheet at amortised cost. Amortised cost is a method of determining the Balance Sheet carrying amount and periodic charges or credits to the Income and Expenditure Account using the expected cash flows of a financial asset or liability. Ignoring impairment, the carrying amount at any point in time of a financial instrument carried at amortised cost is the carrying amount on initial recognition plus the interest taken to the Income and Expenditure Account less cash received or paid (both interest and principal)

9. Financial Instruments Interest

Interest income and expense recognised in the Income and Expenditure Account and STRGL in relation to financial instruments comprises:

	Financial Liabilities at Amortised Cost		Financial Assets Loans and Receivables	
	31 Mar 07	31 Mar 08	31 Mar 07	31 Mar 08
	£'000	£'000	£'000	£'000
Interest Expense	10,334	10,104	0	0
Interest Payable and similar charges	10,334	10,104	0	0
Interest Income	0	0	(2,046)	(2,639)
Interest and investment income	0	0	(2,046)	(2,639)

10. Financial Instruments Fair Value

The fair value of financial instruments held on the Balance Sheet as at 31st March 2008 is:

	31 Mar 07		31 Mar 08	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB debt	(147,590)	(181,348)	(145,784)	(193,512)
Non-PWLB debt	(2,494)	(2,492)	(2,219)	(2,738)
Total Debt	(150,084)	(183,840)	(148,003)	(196,250)
Bank Overdraft	(187)	(187)	0	0
Trade Creditors	(8,380)	(8,380)	(7,996)	(7,996)
Temporary Advances to Loans Fund	(3,321)	(3,321)	(3,170)	(3,170)
Total Financial Liabilities	(161,972)	(195,728)	(159,169)	(207,416)
Investments	16,112	16,112	44,411	44,411
Bank Deposit	0	0	384	384
Trade Debtors	3,865	3,865	3,736	3,736
Long Term Investments	3,531	3,531	3,542	3,542
Total Loans and Receivables	23,508	23,508	52,073	52,073
Available for Sale	485	485	485	485
Total Financial Assets	23,993	23,993	52,558	52,558

The new financial instrument provisions require disclosure of the fair value of financial assets and liabilities where the fair value is different to the Balance Sheet carrying amount. The fair value is determined by calculating the net present value of future cash flows to provide an estimate of the value of payments in the future in today's terms.

- For PWLB debt, the fair value has been calculated with reference to the PWLB repayment rates
- For non-PWLB debt, the fair value has been calculated with reference to comparable market gilt yields
- For Investments, the fair value has been calculated with reference to comparable market rates
- Available for Sale Financial Assets are measured at cost less impairment as there is no active market for these investments
- For all other assets and liabilities, the carrying value is used to approximate the fair value.

The fair value of financial liabilities is greater than the carrying amount because the Council's loan portfolio comprises a number of fixed rate loans where the interest rate payable is higher than comparable loan interest rates at 31st March 2008. The difference between the fair value and the carrying value thereby reflects the premiums that would be payable on the early redemption of these fixed rate loans.

11. Financial Instruments – Risk Disclosure

The Council's activities expose it to a variety of financial risks, the key risks being:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on disadvantageous terms or interest rates.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in interest rate movements

The Council's overall risk management procedures focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is effectively undertaken through a central treasury management function which is governed by the requirement to comply with the CIPFA Prudential Code for Capital Finance and the CIPFA Treasury Management in the Public Services: Code of Practice. Formal adoption of such requires the production of an annual treasury management strategy, the setting of prudential indicators and written treasury management policies and practices. These cover specific areas, such as

overall borrowing limits, interest rate risk, credit risk and the investment of surplus cash, and establish the boundaries for treasury management activities.

Credit Risk

Credit risk arises from deposits placed with banks and financial institutions as a means of investing surplus cash as well as credit exposures to the Council's customers. The Council has specific policies addressing credit and counterparty risk. Inclusion on the Council's counterparty list is subject to an institution meeting approved credit ratings and regular updates are provided by the Council's Treasury Management Advisors. To diversify risk, a maximum lending limit and period is set for institutions to reflect their relative ratings. Subsidiaries are only used if rated in their own right and monetary and investment limits are further restricted to ensure the Council is not over-exposed to a particular group.

Historically, the Council has not incurred any losses arising from the non-performance of any of its Counterparties and during 2007/08, no credit limits were exceeded. Although the current credit crisis increases the possibility of default, the Council's lending criteria remains strict and is regularly reviewed and updated.

The Council does not generally allow credit for customers, such that £2.018m of the £3.736m trade debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 30 days	662
31-60 days	235
61-90 days	30
More than 90 days	1,091
	<u>2,018</u>

Suitable provision has been made for all sundry debtors outstanding for more than 6 months since the date of issue. Provisions are also made for bad and doubtful council tax, non-domestic rate and housing rent debts. The level of provision is based on experience and an assessment of the prospects of recovering the related debts.

In 2007/08, the Council held no collateral as security.

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loan Board, and the Money Markets to cover day to day cash flow requirements, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council manages its liquidity position through cash flow management procedures to ensure funds are available when required.

Re-financing Risk

In the longer term, an element of refinancing risk exists where the Council may have to replenish a significant proportion of its borrowing at a time when market rates may be volatile, uncertain or unfavourable. This risk is addressed as part of the treasury management strategy and formulation of prudential indicators whereby the calculation of upper and lower limits regarding the maturity structure of borrowings is designed to avoid large concentrations of debt with the same maturity structure. The maturity profile of financial liabilities is regularly reviewed to identify opportunities to improve the maturity profile through the restructure of existing debt or new borrowing. The Council's debt portfolio is predominantly Public Works Loan Board (PWLB) debt and the introduction by PWLB of a separate schedule of early repayment rates presents a further element of re-financing risk as this schedule will have an impact on the cost effectiveness of debt rescheduling.

The maturity analysis of financial liabilities (principal amounts) is as follows:

	£'000
Less than one year	(276)
Between one and two years	(283)
Between two and five years	(4,910)
Between five and ten years	(19,895)
More than ten years	(120,832)
	<u>(146,196)</u>

All trade and other payables are due to be paid in less than one year and are not included in the above table.

Market Risk - Interest rate risk

The Council is exposed to a risk in terms of its exposure to interest rate movements on its borrowing and investments. As the Council's debt portfolio predominantly comprises fixed rate debt, there is considerable certainty regarding the costs of financing such debt and the subsequent charge to the Income and Expenditure Account. Movements in interest rates have a complex impact on the Council, for instance, a rise in interest rates would have the following effect:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance.

If interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(221)
Increase in government grant receivable for financing costs	0
Impact on Income and Expenditure Account	(221)
Share of overall impact debited to the HRA	<u>(30)</u>

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

Market Risk - Foreign exchange rate risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to losses arising from exchange rate movements.

Financial Guarantees

The Council is currently a signatory to the Local Government Pension Scheme admission agreements for Active Stirling Ltd and Forth Valley GIS Ltd. The agreements require the Council to make good any pension under-funding position in the event of the companies being wound up. As the accounts for these companies are prepared on a going-concern basis, the estimated probability of the guarantee being enforced for either of the companies is very low and no provision has therefore been made in respect of these.

12. Creditors

2006/07		2007/08
£'000		£'000
(22,737)	Total Accruals and Deferred Income	(24,145)
(8,380)	Creditors - Other and Trade	(7,996)
<u>(222)</u>	Loans Fund Creditors	<u>(10)</u>
<u>(31,339)</u>	Balance per Balance Sheet	<u>(32,151)</u>

13. 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. Provision has been established to cover the anticipated cost of settlement.

	Provision	Payments	Prov Increase	Provision
	31/3/07	2007/08	2007/08	31/3/08
	£'000		£'000	£'000
Land Compensation Provision	(247)	3	(13)	(257)
	<u>(247)</u>	<u>3</u>	<u>(13)</u>	<u>(257)</u>

14. 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 31/3/07 £'000	Movement 2007/08 £'000	Balance at 31/3/08 £'000
Property	(5)	(41)	(46)
Liability	(14)	8	(6)
Motor	(6)	-	(6)
Combined Liability/Motor	(662)	(1)	(663)
	<u>(687)</u>	<u>(34)</u>	<u>(721)</u>

15. Temporary Advances (to)/from Loans Fund

2006/07 £'000		2007/08 £'000
(1,717)	Central Scotland Joint Police Board	(1,527)
(1,551)	Common Good and Trust Funds	(1,637)
(48)	Criminal Justice Authority	-
<u>(6)</u>	Smith Art Gallery and Museum	<u>(6)</u>
<u>(3,321)</u>	Temporary Advances (to)/from Loans Fund	<u>(3,170)</u>

16. 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 9 of the Income and Expenditure Account (page 24-25), 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 2008 amounted to £0.740m (£0.637m 2006-07).
- **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 2008 amounted to £0.387m (£0.343m 2006-07).

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 2007/08, 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 2008, the Council's share of pension fund assets and liabilities under the Local Government Pension Scheme included in the Balance Sheet are as follows:

31/3/07 £'000		31/3/08 £'000
239,369	Estimated Assets in Local Government Pension Scheme	239,004
(290,364)	Estimated Liabilities in Local Government Pension Scheme	(256,365)
<u>(26,812)</u>	Estimated Liabilities from Unfunded Discretionary Benefits	<u>(24,396)</u>
<u>(77,807)</u>	Net Pension Liability	<u>(41,757)</u>

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

Year to 31/3/07 £'000		Year to 31/3/08 £'000
(97,690)	Net Pension Liability as at 1st April	(77,807)
(11,383)	Current Service Cost	(10,344)
8,182	Employer contributions payable to the Scheme	9,121
1,560	Contributions in respect of Unfunded Benefits	1,586
2,724	Past service costs	(196)
(1,906)	Impact of settlements and curtailments	(1,515)
15,079	Expected return on Employer Assets in the Scheme	17,250
(15,757)	Interest on Pension Scheme Liabilities	(17,330)
21,384	Actuarial gains/(losses)	37,478
(77,807)	Net Pension Liability as at 31st March	(41,757)

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 as follows:

31/3/07 Per Annum		31/3/08 Per Annum
3.2%	Price increases	3.6%
4.7%	Salary increases	5.1%
3.2%	Pension increases	3.6%
5.4%	Discount rate	6.9%

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 2007 for the year to 31st March 2008) and are as follows:

<u>As At 31 March 2007</u>				<u>As At 31 March 2008</u>		
Long Term Return	Fund Value £'000	Expected Annual Return £'000		Long Term Return	Fund Value £'000	Expected Annual Return £'000
%				%		
7.8%	174,849	13,638	Equities	7.7%	172,201	13,259
4.9%	32,755	1,605	Bonds	5.7%	34,211	1,950
5.8%	25,796	1,496	Property	5.7%	24,571	1,401
4.9%	5,969	292	Cash	4.8%	8,020	385
7.1%	239,369	17,031	Total	7.1%	239,003	16,995

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 24 of the Balance Sheet (pages 43-44) details the 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).

17. Government Grant Deferred Account

The movement on the Government Grant Deferred Account in 2007/08 was as follows:

	General Services £'000	Housing Revenue A/c £'000	TOTAL £'000
Opening Balance at 1st April 2007	(39,728)	(3,418)	(43,146)
Add Grants/Contributions received	(14,225)	(253)	(14,478)
Less amounts written down	2,691	71	2,762
Balance as at 31st March 2008	(51,262)	(3,600)	(54,862)

18. Developers' Contributions

The movement on the Developers' Contributions Account in 2007/08 was as follows:

	Opening Balance 1/4/07 £'000	Developers's Contributions Received £'000	Developers's Contributions Written Down £'000	Closing Balance 31/3/08 £'000
Stirling Schools PPP Project	-	(2,349)	2	(2,347)
Strategic Housing Account	-	(1,202)	-	(1,202)
Cambusbarron Primary School	-	(468)	15	(453)
Forthside Project	-	(186)	-	(186)
	0	(4,205)	17	(4,188)

Note: The Stirling Schools PPP figure of 2.349m represents contributions received towards the upfront payments made by the Council to purchase the estimated residual value of the PPP schools.

19. Net Assets

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

2006/07 £'000		2007/08 £'000
122,750	General Fund	159,777
89,324	Housing Revenue Account	95,392
1,102	Significant Trading Operations	(553)
213,176	Total Net Assets	254,616

20. 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, provision was made in the 2006/07 budget and this has been continued and increased for 2007/08 and 2008/09 and will need to be reviewed for future financial years. The anticipated date of implementation is some time in the first half of 2008/09.

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 2008, a small number of 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 totalling £4.6m were made in 2006/07 against the provision that had previously been made. At the end of 2006/07 it was 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 was set at £3.41m. At the end of 2007/08, it has again been necessary to review the financial provision in the light of the delay to the implementation of single status, and it has been judged necessary to make further provision of £1.41m. At 31st March 2008, the total provision for equal pay is, therefore, £4.82m, 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 £4.27m 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 as a financial provision in the 2007/08 Statement of Accounts.

21. Reserves and Fund Balances

The following table provides an analysis of the movements on reserves and fund balances during 2007/08.

	Capital Reserves			Revenue Reserves			Total Reserves & Fund Balances £'000
	Revaluation Reserve £'000	Financial Instruments		Capital Receipts Reserve £'000	General Fund £'000	Other Statutory Funds £'000	
		Adjustment Account £'000	Capital Adjustment Account £'000				
Balance as at 1st April 2007	-	3,234	(279,723)	(1,230)	(10,752)	(2,512)	77,807 (213,176)
<u>Net (Surplus)/Deficit for Year</u>							
General Fund					(2,310)		(2,310)
HRA					(635)		(635)
Insurance Reserve						303	303
<u>Pension Adjustments</u>							
Retirement Benefits Charges						12,135	12,135
Employer's Pension Contributions						(10,707)	(10,707)
Actuarial Gain						(37,478)	(37,478)
<u>Capital Adjustments</u>							
Revaluations/Restatements	(4,451)						(4,451)
Depreciation Adj for Revaluations	87		(87)				0
Capital Funded From Revenue			(1,983)				(1,983)
Principal Debt Repayments			(8,998)				(8,998)
Government Grants Written Down			(2,762)				(2,762)
Developers' Contribs Written Down			(17)				(17)
Capital Receipts				(68,197)			(68,197)
Capital Receipts Applied			(68,197)	68,197			0
Asset Disposals			70,926				70,926
Asset Impairments			6,129				6,129
Depreciation - Current Assets			16,956				16,956
Depreciation - Asset Disposals			(10,071)				(10,071)
<u>Other Movements</u>							
Increase to Repair & Renewals Fund						(200)	(200)
Amortisation of Premiums		(80)					(80)
Balance as at 31st March 2008	(4,364)	3,154	(277,827)	(1,230)	(13,697)	(2,409)	41,757 (254,616)

The General Fund Reserve includes the following earmarked balances:

Balance at 31/3/07 £'000		Balance at 31/3/08 £'000
1,645	Housing Revenue Account	2,280
1,041	Modernising Government / Customer First	1,473
785	Income from Council Tax discount on 2nd homes for reinvestment in affordable housing	1,225
-	Schools PPP - grant monies	1,183
399	Central Scotland Business Parks - interest income from loan investments	536
500	Insurance settlement monies relating to fire damage at Polmaise Waste Transfer Station	300
830	Scheme of Devolved Budget Management to Schools and Services within Education	266
-	Forth Valley Data Sharing Partnership grant monies	219
456	Monies carried forward under the Scheme of Devolved Budget Management	152
-	Efficiency and Reform Grant - Diagnostic Pathway	150
-	Earlsburn Windfarm Deposit	67
923	Raploch Urban Regeneration Company Ltd grant monies	-
219	Income from Council Tax and Non Domestic Rates penalty charges	-
216	Supporting People grant monies	-
7,014		7,851

When all of the earmarked items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £5.846m, representing 2.9% of General Fund Budget (£3.738m representing 2.1%, 2006/07).

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.

22. Capital Reserves

The Revaluation Reserve records the net gains from asset revaluations made after 1st April 2007. The balance on the reserve represents the net increase in the value of fixed assets as a result of them being carried in the balance sheet at revalued amounts rather than depreciated historical cost. The account is adjusted on an annual basis to reflect most increases and certain decreases in the value of fixed assets, the effect of disposals of asset values and the element of additional depreciation incurred arising from an asset revaluation. It should be noted that whilst the revalued amounts increase the net worth of the authority, they do not result in an increase in spending power until the relevant assets are sold and capital receipts generated.

The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The account contains the amount of capital receipts used to finance capital expenditure, loans fund repayments, capital funded from current revenue, capital grants and other contributions and adjustments for impairment losses. In addition, it contains adjustments for depreciation, impairment losses and gains on asset disposals. 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.

2006/07		2007/08
£'000		£'000
(1,230)	Opening Balance 1st April	(1,230)
(5,697)	Capital Receipts	(68,197)
	Less:	
5,697	Capital Receipts Applied	68,197
<u>(1,230)</u>	Closing Balance as at 31st March	<u>(1,230)</u>

23. Other Statutory Funds

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 2008 was £1.959m (2006/07 £2.262m) after allowance of provisions of £0.721m (2006/07 £0.687m).

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 2008 was £0.250m (2006/07 £0.250m).

A Repairs and Renewals Fund has also been established during 2007/08 to allow for future repair costs to the Waste Transfer Station at Polmaise. The balance on the Reserve at 31st March 2008 was £0.2m.

24. Pension Reserve

The actuarial gains of £37.478m identified as a movement on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of pension assets or liabilities:

	31/3/04	31/3/05	31/3/06	31/3/07	31/3/08
	£'000	£'000	£'000	£'000	£'000
Actual return less expected return on pension scheme assets	23,179	5,220	30,056	(1,939)	(23,842)
Value of assets	154,716	173,339	220,887	239,369	239,004
Percentage of assets	15.0%	3.0%	13.6%	(0.8%)	(10.0%)
Experience gains / (losses) arising on the scheme liabilities	109	230	(3,996)	351	1,818
Present value of liabilities	194,006	256,439	318,577	317,176	280,761
Percentage of the present value of liabilities	0.1%	0.1%	(1.3%)	0.1%	0.6%
Changes in demographic and financial assumptions used to estimate liabilities	-	(47,319)	(36,862)	22,972	59,502
Present value of liabilities	194,006	256,439	318,577	317,176	280,761
Percentage of the present value of liabilities	n/a	(18.5%)	(11.6%)	7.2%	21.2%

25. 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.

26. 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 72).

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.

At 31st March 2008 the company had net assets of £646,564 (£125,135 liabilities, 2006/07). In year ended 31st March 2008 the company achieved an operating surplus of £142,545 (£124,656 surplus, 2006/07), and holds further ring-fenced funds of £194,363 (£229,209, 2006/07) 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 2008 the Council held 400 shares of £1 each in the company, representing 50% of the issued share capital. At 31st March 2008 the company had net assets amounting to £4,496,657 (2006/07, £4,224,031). In year ended 31st March 2008 the company achieved a profit before tax of £358,578 (2006/07, £255,753) and a profit after tax of £272,626 (2006/07, £180,750). Dividends received by the Council during 2007/08 were nil (2006/07, nil).

The company had previously 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 2008 the amount loaned by the Council was £435,416 (2006/07, £2,522,416).

Raploch Urban Regeneration Company Ltd

The principal activity of the company is the promotion for the public benefit of urban regeneration in areas of social and economic deprivation, in particular within the area of Raploch, Stirling. The company is limited by guarantee and has been granted tax exemption status as a charity by the Inland Revenue. The company has one wholly owned subsidiary, Raploch Urban Regeneration Company (URC) Landholdings Limited.

At 31st March 2008 the company had net assets of £553,451 (2006/07, liabilities of £20,071). In year ended 31st March 2008 the company achieved an operating surplus of £573,522 (2006/07, deficit of £20,071). The company is exempt from tax as a charity under Section 505 Income and Corporation Taxes Act, 1988.

Raploch Urban Regeneration Company Landholdings Ltd

Raploch Urban Regeneration Company (URC) Landholdings Ltd, a wholly owned subsidiary of Raploch Urban Regeneration Company Ltd is the operating company for the Raploch Regeneration project. The principal activity is the development of the Raploch area into a community where people choose to live, work and visit with new homes, education and health facilities, within an economically sustainable environment

The Development Agreement between Raploch Urban Regeneration Company Limited, Raploch URC Landholdings Limited and Stirling Council was signed on 21 June 2007. This agreed the transfer of over 60 acres of land from Stirling Council to Raploch URC Landholdings Limited. Initial sites transferred on 5 July 2007 and the remaining sites detailed in the Development Agreement will transfer in due course.

At 31st March 2008 the company had net assets amounting to £1,251,031 (2006/07, £1,031). In year ended 31st March 2008 the company achieved a profit before tax of £nil (2006/07, £1,030) and a profit after tax of £nil (2006/07, £1,030).

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 2008 the company had net assets amounting to £223,242 (2006/07, £218,714). In year ended 31st March 2008 the company achieved a profit before tax of £53,579 (2006/07, £52,440) and a profit after tax of £40,528 (2006/07, £44,058). Dividends declared by the company for 2007/08 were £36,000 (2006/07, £37,500).

Stirling Development Agency Ltd

This is a joint venture company whose 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.

During 2007/08, the Council entered into discussions and subsequent agreement with its development partner, Valad, about extending the portfolio of City of Stirling Business Parks (CSBP) Ltd, to include most of the Council's existing commercial and industrial properties and to develop some of the Council's key strategic sites. As a result, an agreement was signed in March 2008 to establish Stirling Development Agency (SDA) Ltd, which is the successor company to CSBP Ltd. Under the agreement, five employees transferred from the Council to SDA Ltd under TUPE

legislation, and SDA Ltd will manage the council's former property portfolio, for which it paid the Council a capital receipt of £11.8m. The Council may obtain further receipts should SDA Ltd decide to proceed with the development of the sites over which it has options.

Under the agreement, the original property portfolio was partly funded by injection of shareholder loans from the Council and Valad totalling 30% of the purchase price, with the remaining 70% being met by bank funding. Future developments will be funded in the same ratio by the shareholders and through bank funding.

At 31st March 2008 the Council held 500 shares of £1 each in the company, representing 50% of the issued share capital. At 31st March 2008 the company had net assets amounting to £63,966 (2006/07, £354,075). In year ended 31st March 2008 the company incurred a loss before tax of £420,459 (2006/07, profit of £512,115) and a loss after tax of £290,109 (2006/07, profit of £381,380). Dividends received by the Council during 2007/08 were nil (2006/07, nil). At 31st March 2008 the Council had provided a loan to the company amounting to £3,105,551 (2006/07, £1,008,000).

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 2008 the company had net assets of £782,108 (2006/07, £575,772). In year ended 31st March 2008 the company achieved an operating surplus of £206,336 (2006/07, £4,472). 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 2008 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 2008 the company had net assets amounting to £432,777 (2006/07, £400,202). In year ended 31st March 2008 the company achieved a profit before tax of £32,575 (2006/07, £30,101) and a profit after tax of £32,575 (2006/07, £30,101). Dividends received by the Council during 2007/08 were nil (2006/07, nil).

At 31st March 2008 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 2008 the Council held 85,000 shares of £1 each in the company, representing 84% of the issued share capital. At 31st March 2008 the company had net assets amounting to £1,884,121 (2006/07, £1,618,821). In year ended 31st March 2008 the company achieved a profit before tax of £168,913 (2006/07, £155,706) and a profit after tax of £124,300 (2006/07, £131,853). Dividends received by the Council during 2007/08 were nil (2006/07, 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 2008 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 2008 the company had net assets amounting to £735,156 (2006/07, liabilities of £995,648). In year ended 31st March 2008 the company incurred a loss before tax of £30,214 (2006/07, loss of £55,517) and a loss after tax of £30,214 (2006/07, loss of £56,089). During the year investment property held by the company was subject to a revaluation and this resulted in an unrealised profit on revaluation of £1,761,018. Dividends received by the Council during 2007/08 were nil (2006/07, nil).

The Council acts as guarantor in respect of the company's obligations under its bank loan agreement. At 31st March 2008 the sum guaranteed was £2,323,495 (2006/07, £2,421,347). At 31st March 2008 the company owed nil to the Council (2006/07, nil).

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 2008 the Council held 198 shares in the company, representing 50% of the issued share capital. At 31st March 2008 the company had net assets amounting to £151,312 (2006/07, £142,425). In year ended 31st March 2008 the company incurred a loss before tax of £16,778 (2006/07, profit of £4,595) and a loss after tax of £19,113 (2006/07, loss of £7,968). Dividends received by the Council during 2007/08 were 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 £904,088 at 31st March 2008 (2006/07, £930,081).

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 2008 the Council held 520,000 shares of £1 each in the company, representing 65% of the issued share capital. At 31st March 2008 the company controlled net assets amounting to £365,678 (2006/07, £350,622). In year ended 31st March 2008 the company declared a profit before tax of £43,370 (2006/07, £33,940) and a profit after tax of £34,696 (2006/07, £27,491). Dividends received by the Council during 2007/08 were nil (2006/07, nil).

At 31st March 2008 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.

27. Events After The Balance Sheet Date

No events occurred between 1st April 2008 and 30th September 2008 that would have an impact on the 2007/08 financial statements (2006/07, None).

D. Notes to the Cash Flow Statement

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

2006/07 £'000		2007/08 £'000
24,586	(Surplus)/Deficit per Income and Expenditure Account	489
(41,477)	Adjustments not involving movement of funds	(21,852)
(3,552)	Contributions (to)/from Provisions	(1,291)
123	Increase/(Decrease) in Stock & Work in Progress	(253)
2,216	Increase/(Decrease) in Debtors	1,766
(3,319)	(Increase)/Decrease in Creditors	2,615
<u>(21,423)</u>	Net Cash (Inflow)/Outflow from Revenue Activities	<u>(18,526)</u>

2. Analysis of Cash Balances

Movement 2006/07 £,000		As At 31/3/07 £,000	As At 31/3/08 £,000	Movement 2007/08 £,000
1	Cash In Hand	39	36	(3)
1,008	Bank Balance	(187)	384	571
<u>1,009</u>	Increase/(Decrease) in cash	<u>(148)</u>	<u>420</u>	<u>568</u>

3. Management of Liquid Resources

Movement 2006/07 £,000		As At 31/3/07 £,000	As At 31/3/08 £,000	Movement 2007/08 £,000
<u>(1,376)</u>	Increase/(Decrease) in Short Term Deposits < 3 months	16,048	44,275	<u>28,227</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

2006/07 £'000		2007/08 £'000
(95,344)	Revenue Support Grant	(104,039)
(8,360)	DWP - Rent Rebates	(8,566)
(4,438)	DWP - Rent Allowances	(4,755)
(5,195)	Supporting People	(5,927)
(9,459)	Education Grants	(7,165)
(223)	Social Inclusion Partnership	(89)
(93)	Modernising Government Fund	(983)
(480)	Housing Support	(631)
(207)	Social Work - Mental Illness	(207)
(686)	Housing Benefit/Council Tax Admin	(635)
(4,922)	Other Grants	(3,329)
<u>(129,407)</u>		<u>(136,326)</u>

5. Movement in Financing

2006/07 £'000		2007/08 £'000
	Loans Repaid	
50	Public Works Loans Board	100
22	European Investment Bank	24
150	Covenants	150
5	Market & Local Bonds	-
<u>227</u>		<u>274</u>
	New Loans	
<u>-</u>	Public Works Loans Board	<u>-</u>
<u>227</u>	Net Cash (Inflow)/Outflow from Financing	<u>274</u>

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

	Net Debt 31/3/07 £,000	Cash Movement £,000	Net Debt 31/3/08 £,000
Cash In Hand	39	(3)	36
Bank Balance	(187)	571	384
Debt due within 1 year	(381)	105	(276)
Debt due after 1 year	(146,189)	269	(145,920)
Current Asset Investments	16,048	28,227	44,275
	<u>(130,670)</u>	<u>29,169</u>	<u>(101,501)</u>
	£,000	£,000	
Net Increase in Cash:			
Cash In Hand	(3)		
Bank Overdraft	<u>571</u>		
		568	
Cash Used to Increase Liquid Resources:			
Public Works Loans Board	-		
Covenant Schemes	-		
European Investment Bank	(2)		
Local Lenders	7		
Temporary Loans	100		
Banks/Building Societies/Money Market Services	22,877		
Other Local Authorities	<u>5,350</u>		
		28,332	
Cash Used to Reduce Long Term Debt:			
Public Works Loans Board	100		
European Investment Bank	26		
Covenant Schemes	150		
Market Bonds	-		
Local Lenders	<u>(7)</u>		
		269	
Change In Net Debt		<u>29,169</u>	
Net Debt as at 31/3/07		<u>(130,670)</u>	
Net Debt as at 31/3/08		<u>(101,501)</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 2007/08, the Code of Practice on Local Authority Accounting in Great Britain requires service revenue accounts, central support services and trading accounts to be charged only with depreciation, meaning that they are no longer charged with a capital financing charge. Notwithstanding this requirement, Audit Scotland's view is that it is necessary to charge trading accounts with some form of capital financing charge 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 recommended that where trading accounts use fixed assets on which there is outstanding debt, they should be charged with an element of loans fund interest. This notional capital financing charge should be included in determining the statutory outturn positions for STOs, but does not require to be reflected in the Income & Expenditure account. This is also the case for Interest Earned on Revenue Balances (IORB), which is included in determining the statutory outturn positions for STOs, but does not require to be reflected in the Income & Expenditure account

The notional capital financing charges and IORB entries allocated to each of the STOs in 2007/08 for the purposes of calculating statutory outturn positions are as follows:

	Capital		
	Financing	Statutory	
	Charges	IORB	Adjs
	2007/08	2007/08	2007/08
	£'000	£'000	£'000
Roads Repair	24	(4)	20
Technical Services	4	(71)	(67)
Grounds Maintenance	8	(4)	4
Refuse Collection	24	(15)	9
Building Cleaning	-	(7)	(7)
Catering	1	3	4
Letting of Commercial Properties	966	-	966
Total Capital Financing Chgs & IORB	1,027	(98)	929

The Council currently has seven STOs, of which Building Cleaning and Catering failed to achieve a break-even position during 2007/08. Grounds Maintenance, Refuse Collection, Building Cleaning and Catering 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 2007/08, impacting significantly on final outturn positions.

In aggregate, the STOs achieved a statutory surplus of £0.695m in 2007/08 after the charging of equal pay provisions and notional interest, and the crediting of IORB (£0.885m surplus in 2006/07).

2005/06	2006/07			2007/08			Rolling
(Surplus)/ Deficit	(Surplus)/ Deficit	(Surplus)/ Deficit		Expenditure	Income	(Surplus)/ Deficit	3 Year (Surplus)/ Deficit
£'000	£'000	£'000		£'000	£'000	£'000	£'000
(387)	(65)	(1,056)	Roads Repair	10,021	(10,310)	(289)	(741)
(272)	(431)	(854)	Technical Services	10,623	(10,823)	(200)	(903)
11	56	176	Grounds Maintenance	1,999	(2,057)	(58)	9
349	47	1,048	Refuse Collection	2,112	(2,264)	(152)	244
592	644	1,147	Building Cleaning	2,530	(2,078)	452	1,688
580	618	1,050	Catering	3,018	(2,448)	570	1,768
(716)	(1,754)	(3,335)	Letting of Commercial Properties	1,437	(2,455)	(1,018)	(3,488)
157	(885)	(1,824)	Total Statutory Outturns	31,740	(32,435)	(695)	(1,423)

The aggregate statutory surplus in 2007/08 after excluding notional capital financing charges and IORB is £1.624m as follows:

2005/06	2006/07			2007/08		
	3 Year					
(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000		Expenditure £'000	Income £'000	(Surplus)/ Deficit £'000
(387)	(65)	(1,056)	Roads Repair	9,997	(10,306)	(309)
(272)	(431)	(854)	Technical Services	10,619	(10,752)	(133)
11	56	176	Grounds Maintenance	1,991	(2,053)	(62)
349	47	1,048	Refuse Collection	2,088	(2,249)	(161)
592	644	1,147	Building Cleaning	2,530	(2,071)	459
580	618	1,050	Catering	3,017	(2,451)	566
(716)	(1,754)	(3,335)	Letting of Commercial Properties	471	(2,455)	(1,984)
157	(885)	(1,824)	Total Statutory Outturns	30,713	(32,337)	(1,624)

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:

2005/06	2006/07			2007/08		
	3 Year					
(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000		Expenditure £'000	Income £'000	(Surplus)/ Deficit £'000
97	1,005	919	Children's Services	230	(234)	(4)
1	148	153	Community Services	182	(185)	(3)
(5)	100	91	Corporate Services	105	(126)	(21)
(65)	(440)	30	Environment Services	28,397	(28,084)	313
28	813	1,193	Transfer to Inc&Exp Account	28,914	(28,629)	285

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:

2005/06	2006/07			2007/08		
	3 Year					
(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000	(Surplus)/ Deficit £'000		Expenditure £'000	Income £'000	(Surplus)/ Deficit £'000
162	14	(381)	Roads Repair	885	(920)	(35)
-	(1)	(1)	Technical Services	106	(90)	16
7	1	8	Grounds Maintenance	26	(50)	(24)
(1)	-	(1)	Refuse Collection	5	-	5
9	10	17	Building Cleaning	50	(38)	12
66	(21)	27	Catering	278	(241)	37
(114)	(1,701)	(2,686)	Letting of Commercial Properties	449	(2,369)	(1,920)
129	(1,698)	(3,017)	Transfer to Inc&Exp Account	1,799	(3,708)	(1,909)

**E1a Roads Repair Significant Trading Operation
Trading Account 2007/08**

2005/06 Actual £'000	2006/07 Actual £'000	Rolling 3 Year Actual £'000		2007/08 Actual £'000	2007/08 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(10,294)	(9,872)	(29,055)	Turnover	(10,310)	(8,079)	(30,476)	(25,722)
9,907	9,807	27,999	Expenditure	10,021	8,154	29,735	25,528
(387)	(65)	(1,056)	(Surplus)/Deficit	(289)	75	(741)	(194)

2005/06 £'000	2006/07 £'000		2007/08 £'000
(6,567)	(4,360)	<u>Analysis of Turnover:</u>	
(980)	(1,742)	Highway and Roads Maint	(4,116)
(2,747)	(3,770)	External Clients	(866)
(10,294)	(9,872)	General Fund Capital	(5,328)
			(10,310)

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 2007/08 is a surplus of £289,000 (£65,000 surplus in 2006/07).

The statutory financial target for the three year period was to break even and although the Service set a target surplus of £194,000, the actual performance of the STO has exceeded this by £547,000.

E1b Technical Services Significant Trading Operation Trading Account 2007/08

2005/06 Actual £'000	2006/07 Actual £'000	Rolling 3 Year Actual £'000		2007/08 Actual £'000	2007/08 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(11,022)	(10,706)	(30,590)	Turnover	(10,823)	(10,401)	(32,551)	(32,733)
10,750	10,275	29,736	Expenditure	10,623	10,016	31,648	32,332
(272)	(431)	(854)	(Surplus)/Deficit	(200)	(385)	(903)	(401)

2005/06 £'000	2006/07 £'000		2007/08 £'000
(5,110)	(5,090)	<u>Analysis of Turnover:</u>	
(1,002)	(578)	Housing	(4,863)
(12)	-	Non Housing	(365)
(4,824)	(4,951)	General Fund Capital	0
(74)	(87)	HRA Capital	(5,296)
(11,022)	(10,706)	External Clients	(299)
			(10,823)

The Technical 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 2007/08 is a surplus of £200,000 (£431,000 surplus 2006/07). Although this is £185,000 below target, the STO still remains within its statutory requirements. The main reason for the below target outturn is a £280,000 charge relating to a service restructure which will result in significant savings in the future.

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 £401,000, the actual performance of the STO has exceeded this by £502,000.

**E1c Grounds Maintenance Significant Trading Operation
Trading Account 2007/08**

2005/06	2006/07	Rolling 3 Year Actual £'000		2007/08 Actual £'000	2007/08 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(1,795)	(1,719)	(5,179)	Turnover	(2,057)	(1,923)	(5,571)	(5,279)
1,806	1,775	5,355	Expenditure	1,999	1,903	5,580	5,259
11	56	176	(Surplus)/Deficit	(58)	(20)	9	(20)

2005/06 £'000	2006/07 £'000		2007/08 £'000
(1,770)	(1,694)	<u>Analysis of Turnover:</u>	
(25)	(25)	Internal Clients	(2,007)
(1,795)	(1,719)	External Clients	(50)
			(2,057)

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 2007/08 is a surplus of £58,000 (£56,000 deficit 2006/07). This compares well 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 the STO whilst returning a surplus in 2007/08 narrowly failed to break even incurring an overall 3-year deficit of £9,000. However this represented a significant reduction in the previous 3-year deficit of £176,000. The restructure of the Streetscape Service in 2007 addressed issues regarding operational and contract management. This management action along with the introduction of more robust financial management systems in both grass cutting and grounds maintenance service delivery areas resulted in significant improvements in project and financial control.

**E1d Refuse Collection Significant Trading Operation
Trading Account 2007/08**

2005/06 Actual £'000	2006/07 Actual £'000	Rolling 3 Year Actual £'000		2007/08 Actual £'000	2007/08 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(2,014)	(2,458)	(6,557)	Turnover	(2,264)	(2,249)	(6,736)	(6,555)
2,363	2,505	7,605	Expenditure	2,112	2,249	6,980	6,595
349	47	1,048	(Surplus)/Deficit	(152)	0	244	40

2005/06 £'000	2006/07 £'000		2007/08 £'000
(2,009)	(2,439)	<u>Analysis of Turnover:</u>	
(5)	(19)	Internal Clients	(2,264)
(2,014)	(2,458)	External Clients	0
			(2,264)

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 2007/08 is a surplus of £152,000 (£47,000 deficit 2006/07).

The improvements have arisen as a result of a strategic analysis of the service identifying areas of weakness, areas of strength and targeting areas for development, building on the improvements of last year.

All targeted routes are now delivered with two man crews, and routing efficiencies are being continually reviewed. Vehicle maintenance and repair improvements have seen a considerable reduction in down time and this has led to reduced need for RCV hire and overtime working, as well as reduced need for agency workers.

With the development of Waste Services' business management system over the last year, significant business efficiencies have been realised both in terms of financial improvements, as well as customer satisfaction results and key performance indicators. Key performance indicators show improved recycling rates, reduced customer complaints and route completion sitting at over 97%. The management system will allow better open communication links across the service identifying initiative progress against set targets.

Rising fuel prices, and the implementation of single status are set to challenge the service for 2008/09.

**E1e Building Cleaning Significant Trading Operation
Trading Account 2007/08**

2005/06 Actual £'000	2006/07 Actual £'000	Rolling 3 Year Actual £'000		2007/08 Actual £'000	2007/08 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(2,254)	(2,160)	(6,622)	Turnover	(2,078)	(2,040)	(6,492)	(6,438)
2,846	2,804	7,769	Expenditure	2,530	2,005	8,180	6,405
592	644	1,147	(Surplus)/Deficit	452	(35)	1,688	(33)

2005/06 £'000	2006/07 £'000		2007/08 £'000
(2,218)	(2,123)	<u>Analysis of Turnover:</u>	
(36)	(37)	Internal Clients	(2,040)
(2,254)	(2,160)	External Clients	(38)
			(2,078)

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 social work establishments
- Cleaning of offices and public buildings
- Cleaning of Fire Service buildings

The operating financial performance for 2007/08 was a surplus of £40,000 prior to the charging of retrospective equal pay costs of £492,000. These exceptional costs meant that the STO returned a significant deficit of £452,000. 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 £1,688,000.

The Building Cleaning contract has been re-specified and priced for 2008/09 to reflect changes in service standards required by client services.

E1f**Catering Significant Trading Operation
Trading Account 2007/08**

2005/06 Actual £'000	2006/07 Actual £'000	Rolling 3 Year Actual £'000		2007/08 Actual £'000	2007/08 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(2,512)	(2,436)	(7,450)	Turnover	(2,448)	(2,275)	(7,396)	(6,641)
3,092	3,054	8,500	Expenditure	3,018	2,670	9,164	7,418
580	618	1,050	(Surplus)/Deficit	570	395	1,768	777

2005/06 £'000	2006/07 £'000		2007/08 £'000
(2,120)	(2,037)	<u>Analysis of Turnover:</u>	
(134)	(131)	Education	(2,062)
(241)	(249)	Social Work	(141)
(17)	(19)	Police - External Client	(241)
		Other External Clients	(4)
(2,512)	(2,436)		(2,448)

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 2007/08 was a deficit of £214,000 prior to providing for equal pay costs. These exceptional costs have significantly increased the reported deficit for this STO to £570,000 for 2007/08.

The reported deficit means the STO failed to achieve its statutory 3 year financial target to breakeven with a reported deficit of £1.768m.

A review of the School Catering Service is currently progressing with a view to implementing the recommendations from the review group and consultant who have been looking at the funding options to improve financial performance from 2008/09.

E1g Letting of Commercial Properties Significant Trading Operation Trading Account 2007/08

2005/06 Actual £'000	2006/07 Actual £'000	Rolling 3 Year Actual £'000		2007/08 Actual £'000	2007/08 Target £'000	Rolling 3 Year Actual £'000	Rolling 3 Year Target £'000
(2,626)	(3,217)	(8,430)	Turnover	(2,455)	(2,651)	(8,298)	(7,708)
1,910	1,463	5,095	Expenditure	1,437	1,492	4,810	4,548
(716)	(1,754)	(3,335)	(Surplus)/Deficit	(1,018)	(1,159)	(3,488)	(3,160)

2005/06 £'000	2006/07 £'000		2007/08 £'000
(111)	(110)	<u>Analysis of Turnover:</u>	
(2,515)	(3,107)	Internal Clients	(85)
(2,626)	(3,217)	External Clients	(2,370)
			(2,455)

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 2007/08 is a surplus of £1.018m (£1.754m surplus 2006/07). This is significantly less than the previous year reflecting the Council's policy to sell off a large part of its commercial portfolio.

The statutory financial target for the three year period is to break even although the Service set a target of £3.160m which is in excess of that required. The strategic direction of the letting of commercial properties has been subject to some fundamental changes in 2007/08 which will impact on the future financial reporting of this STO with the likelihood STO status being removed in 2008/09.

SUPPLEMENTARY FINANCIAL STATEMENTS

F

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE ACCOUNT

2006/07		2007/08
£'000	Notes	£'000
	Income	
(14,651)	Dwelling Rents - Standard	(14,886)
(455)	Non Dwelling Rents	(385)
(480)	Housing Support Grant	(631)
<u>(2,445)</u>	Other	<u>(1,792)</u>
(18,031)		(17,694)
	Expenditure	
6,528	Repairs and Maintenance	7,322
5,170	Supervision and Management	4,666
6,507	Depreciation and Impairment of Fixed Assets	6,495
526	Other Expenditure	472
175	Increase in Bad Debt Provision	182
<u>18,906</u>		<u>19,137</u>
875	Net Cost of HRA Services per Stirling Council Income and Expenditure Account	1,443
<u>121</u>	HRA Share of Corporate and Democratic Core	<u>147</u>
996	Net Cost of HRA Services	1,590
	HRA Share of the Operating Income and Expenditure included in Stirling Council's Accounts:	
1,306	Interest Payable and Similar Charges	F6 1,289
(25)	Pension Past Service Costs & Settlements & Curtailments	57
10	Amortisation of Premiums and Discounts	11
20	Pension Interest Costs & Expected Return On Assets	3
(271)	Interest and Investment Income	(261)
<u>85</u>	(Gain)/Loss on sale of HRA Fixed Assets	<u>16</u>
<u>2,121</u>	(Surplus)/Deficit for the year on HRA Services	<u>2,705</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.

2006/07 £'000		Notes	2007/08 £'000
2,121	Deficit on the HRA Income and Expenditure Account		2,705
(2,289)	Net additional amount required by statute and non-statutory proper practices to be debited/(credited) to the HRA Balance for the year	F1	(3,340)
<u>(168)</u>	Increase in HRA Balances for the Year		<u>(635)</u>
<u>(1,477)</u>	HRA Balances brought forward		<u>(1,645)</u>
<u>(1,645)</u>	HRA Balances carried forward		<u>(2,280)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

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

2006/07 £'000		2007/08 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the Movement on HRA balance for the year:	
(6,507)	Depreciation and impairment of fixed assets	(6,495)
(85)	Gain/(Loss) on sale of HRA Fixed Assets	(16)
65	Government Grants Deferred amortisation	72
<u>(332)</u>	Net charges made for retirement benefits in accordance with FRS17	<u>(403)</u>
(6,859)		(6,842)
	Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA balance for the year:	
2,235	Loans Fund principal repayments	1,735
2,046	Capital expenditure funded by the HRA	1,430
289	Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	337
<u>4,570</u>		<u>3,502</u>
<u>(2,289)</u>	Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year	<u>(3,340)</u>

2. Housing Stock

As at 31st March 2008, the Council was responsible for managing 5,988 dwellings. (6,118 at 31st March 2007). 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	24						24
Flat in Close		544	885	264	2		1,695
Own Door Flat		303	400	218	69	1	991
Maisonette			65	10			75
Bungalow		305	31	24	2		362
Mid Terrace		7	468	476	21	1	973
End Terrace/Semi			731	948	183	1	1,863
Detached				2	2	1	5
	<u>24</u>	<u>1,159</u>	<u>2,580</u>	<u>1,942</u>	<u>279</u>	<u>4</u>	<u>5,988</u>

3. 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	44.71					
Flat in Close		49.42	50.22	51.35	52.52	
Own Door Flat		50.06	51.13	52.39	53.52	57.53
Maisonette			50.47	51.35		
Bungalow		52.58	53.78	55.03	56.26	
Mid Terrace		51.34	52.59	53.82	55.03	56.22
End Terrace/Semi			53.80	55.04	56.32	57.53
Detached				56.23	57.53	58.80

The average Council house rent per week as at 31st March 2008 was £52.54 (£49.68 at 31st March 2007).

4. Rent Lost Due To Empty Properties

Rent lost due to empty properties was as follows:

Property Type	<u>2006/07</u>	<u>2007/08</u>
	£'000	£'000
Dwellings	110	110
Garages	35	37
Homeless Properties	40	39
	<u>185</u>	<u>186</u>

5. Rent Arrears

Rent arrears relating to current tenants in council dwellings and lockups totalled £297,256 as at 31st March 2008. This represents 4.37% of the net rent due for the year and is a decrease of 0.29% on the corresponding percentage for the previous year figure of £304,186.

Rent arrears relating to former tenants in council dwellings and lockups totalled £395,228 as at 31st March 2008. This represents a decrease of £21,295 since 31st March 2007. Arrears of £65,503 were written off during the year, which related to former housing tenants.

6. Bad and Doubtful Debts

An accumulated total provision of £847,813 has been made for Bad and Doubtful Debts, of which £447,000 is for dwellings and lockups, with the balance of £400,813 relating to Homeless and other debtors. This is compared to a total of £824,701 in 2006/07, of which £448,000 was for dwellings and lockups and the balance of £376,701 related to Homeless and other debtors.

7. Covenant Schemes

Repayments arising from covenant schemes ended in 2006/07.

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.

2006/07		2007/08
£'000		£'000
(49,489)	Gross Council Tax levied and contributions in lieu	(50,688)
	Less:-	
(78)	Council Tax Benefits net of Government Grants	(55)
6,540	Other Discounts and Reductions	6,890
(62)	Provision for Bad and Doubtful Debts	16
(43,089)	Total Council Tax Income Transferred To General Fund	(43,837)
1,201	Band D Council Tax Levied	1,223

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. Total amounts billed for during 2007/08 amounted to £0.440m, of which £0.410m was received (2006/07 £0.395m).

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	0	6,301	8,460	4,160	3,997	5,869	4,825	4,447	619	38,678
Exempt Dwellings	0	(522)	(357)	(341)	(214)	(199)	(137)	(60)	(24)	(1,854)
Disabled Relief	23	27	(6)	(12)	23	(5)	(11)	(37)	(2)	0
Discounts (25%)	(2)	(778)	(852)	(364)	(372)	(401)	(232)	(133)	(13)	(3,147)
Discounts (50%)	0	(23)	(40)	(56)	(57)	(56)	(37)	(34)	(5)	(308)
Effective Dwellings	21	5,005	7,205	3,387	3,377	5,208	4,408	4,183	575	33,369
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	12	3,337	5,604	3,011	3,376	6,365	6,367	6,972	1,150	36,194

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

Contribution in lieu with respect to Class 17 dwellings - Ministry of Defence	17
	36,211
Less: Dwellings where collection of Council Tax is considered to be doubtful	(725)
Council Tax Base	35,486

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 2007/08 were as follows:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Council Tax Charge	£815.33	£951.22	£1,087.11	£1,223.00	£1,494.78	£1,766.56	£2,038.33	£2,446.00

H NON DOMESTIC RATE INCOME ACCOUNT

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 44.1p for 2007/08 (44.9p for 2006/07). Properties with a rateable value greater than £29,000 are charged a supplement of 0.3p (44.4p) for every £. Properties with a rateable value of £11,500 or less receive small business rate relief.

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

2006/07 £'000		2007/08 £'000	2007/08 £'000
(40,965)	Gross Rates Levied and Contributions In Lieu		(40,150)
	Less:		
5,295	Reliefs and Other Deductions	5,305	
2	Payment of Interest	37	
243	Provision for Bad & Doubtful Debts	300	
(33)	Other Adjustments	(23)	5,619
<u>(35,458)</u>			<u>(34,531)</u>
	Add:		
<u>(102)</u>	Discretionary Relief charged to General Fund		<u>(94)</u>
(35,560)	Net Non Domestic Rate Income		(34,625)
<u>3,522</u>	Net Contribution to/(from) National Non Domestic Rate Pool		<u>2,893</u>
<u>(32,038)</u>	Non Domestic Rate Income to Income & Expenditure Account		<u>(31,732)</u>

b) Rateable Values and Numbers of Rateable Subjects as at 1st April 2007

Subject Classification	No. of Subjects	%	Rateable Value (£000)	%
Commercial	2,771	59.3%	60,311	62.3%
Industrial	937	20.1%	14,554	15.4%
Miscellaneous	943	20.2%	16,070	18.7%
Formula Valued Subjects	21	0.40%	3,391	3.6%
	<u>4,672</u>	<u>100%</u>	<u>94,326</u>	<u>100%</u>

I**TRUST FUNDS**

The Council administers a number of Educational, Welfare and Charitable Trusts which have arisen as a result of gifts, bequests or donations to be used for the benefit of citizens within the Stirling Council area. Income from the investments of the Educational Trusts is used to provide school prizes, whilst that of the Welfare Trusts is used mainly for the wellbeing of residents of Residential Homes. The income from Charitable Trusts is used for the benefit of local people according to the purpose specified by the Trust Deeds.

Trust Funds are invested in high interest earning investments, bank deposit accounts or placed with the Council's Loans Fund, and earn interest accordingly. Funds held in the various Trusts do not represent assets of the Council and are not included in the Council's Balance Sheet. However, balances held in Charitable Trusts have been consolidated within the Council's Group Accounts (pages 67-74) in accordance with required accounting practice.

The following figures summarise the aggregate income and expenditure for the year as well as providing a snapshot of the assets and liabilities as at 31st March 2008.

Income & Expenditure Account for Year Ending 31st March 2008

	Charitable Trusts £'000	Non Charitable Trusts £'000	Total £'000
Income			
Donations	-	(4)	(4)
Interest Received	(13)	(6)	(19)
Expenditure			
Upkeep of Grounds	6	1	7
Premises Insurance	1	-	1
Miscellaneous Purchases	-	6	6
Surplus for the Year	(6)	(3)	(9)
Balances as at 1 April 2007	(205)	(117)	(322)
Balances as at 31st March 2008	(211)	(120)	(331)

Balance Sheet As At 31st March 2008

2006/07 £'000		2007/08 £'000
	Fixed Assets	
45	Investments	45
	Current Assets	
309	Temporary Advance to Stirling Council	318
354	Net Assets	363
	Financed by:	
(32)	Fund Balances - Capital	(32)
(322)	Fund Balances - Revenue	(331)
(354)		(363)

The following statements provide an overview of the Charitable and Non-Charitable Trust Fund balances administered by the Council, together with the purpose for which each Trust Fund was originally established.

	Balance as at 31/03/07 £	Expenditure 07/08 £	Income 07/08 £	Balance as at 31/03/08 £
<u>Charitable Trusts</u>				
Dunblane Cemetery Memorial Garden	(161,228.03)	6,530.23	(8,947.73)	(163,645.53)
Wm Drummond	(1,068.53)		(69.30)	(1,137.83)
Belle Richardson Dobbie Fund	(7,977.25)		(832.13)	(8,809.38)
George Murdoch Memorial Fund	(4,927.93)		(557.09)	(5,485.02)
Miss V M Anderson Trust	(1,662.66)		(110.16)	(1,772.82)
Miss CC Halley's Bequest	(3,512.50)		(221.75)	(3,734.25)
Thomson Bequest for Stirling Library	(3,735.16)		(246.62)	(3,981.78)
Miss B Morrison Bequest	(1,014.29)		(56.29)	(1,070.58)
Wm MCowan Bequest	(1,483.47)		(102.80)	(1,586.27)
AE Foster Bequest	(3,856.40)		(291.40)	(4,147.80)
M McIntyre Bequest	(3,923.38)		(263.43)	(4,186.81)
Baird Airston Mortification	(429.05)		(34.59)	(463.64)
R Buchanan Mortification	(310.31)		(22.25)	(332.56)
Gargunnoch Mortification	(2,596.18)		(177.36)	(2,773.54)
Gargunnoch Rest Garden Fund	(1,179.84)		(65.48)	(1,245.32)
Strathblane War Memorial	(469.29)		(33.06)	(502.35)
Strathblane Village Club	(767.83)		(60.27)	(828.10)
Killearn War Memorial	(1,163.28)		(75.99)	(1,239.27)
McFarlane Free Library Fund	(4,170.34)		(276.93)	(4,447.27)
Total Charitable Trusts	(205,475.72)	6,530.23	(12,444.63)	(211,390.12)
<u>Non-Charitable Trusts</u>				
Welfare Bequests	(37,806.94)	948.71	(2,498.33)	(39,356.56)
Education Bequests	(23,076.58)	188.00	(1,275.81)	(24,164.39)
Social Services Donations & Funds	(55,629.91)	6,201.33	(7,057.11)	(56,485.69)
Total Trusts Held By Stirling Council	(321,989.15)	13,868.27	(23,275.88)	(331,396.76)

Charitable Trusts

Dunblane Cemetery Memorial Garden	To maintain, repair and improve the Cemetery Memorial Garden
Wm Drummond	To maintain the Valley Cemetery Monument and Pleasure Garden
Belle Richardson Dobbie Fund	To benefit the poor of Stirling and Bannockburn
George Murdoch Memorial Fund	To benefit the poor of Stirling and Bannockburn
Miss V M Anderson Trust	To improve the amenity of Stirling Castle and Back Walk
Miss CC Halley's Bequest	To benefit people with disabilities in the Stirling Burgh
Thomson Bequest for Stirling Library	To provide new books of a religious nature
Miss B Morrison Bequest	To provide coal for the poor of Bridge of Allan
Wm MCowan Bequest	To benefit the poor of Bridge of Allan
AE Foster Bequest	To provide food and coal to the poor of Bridge of Allan
M McIntyre Bequest	For general improvements in Callander
Baird Airston Mortification	To benefit the poor of Fintry
R Buchanan Mortification	To benefit the poor of Kippen
Gargunnoch Mortification	To benefit the poor of Gargunnoch
Gargunnoch Rest Garden Fund	To benefit the elderly and children of Gargunnoch
Strathblane War Memorial	To provide maintenance of the Strathblane war memorial
Strathblane Village Club	For the benefit of the people of Strathblane
Killearn War Memorial	To provide maintenance of the Killearn war memorial
McFarlane Free Library Fund	For general improvements in Stirling Town

Non-Charitable Trusts

Welfare Bequests	Provision of poor relief, lairs and amenity improvements
Education Bequests	Provision of School prizes
Social Services Donations & Funds	Donations to Residential Homes, Care related activities

COMMON GOOD FUNDS

Foreword

Common Good Funds were inherited from the former Burgh Councils at local government reorganisation in 1975. The Council in administering the Common Good Funds has a statutory duty to have regard to the interests of the inhabitants of the area to which the Common Good formerly related and manages the funds on that basis. Common Good Funds, which are derived from rental income and interest generated on investments, must in the first instance be used to maintain the assets of the Common Good in a proper state of repair. Thereafter the Funds can be used for a purpose, which is in the interests of the community for which the Common Good was established.

The following figures summarise the aggregate income and expenditure for the year as well as providing a snapshot of the assets and liabilities as at 31st March 2008.

Common Good Income & Expenditure Account Year Ended 31st March 2008

Total		Stirling	Callander	Bridge of	Total
2006/07		2007/08	2007/08	Allan	2007/08
£'000		£'000	£'000	£'000	£'000
	Income				
(15)	Shops & Commercial Premises	(15)	-	-	(15)
(47)	Interest Received	(54)	(1)	(22)	(77)
(62)		(69)	(1)	(22)	(92)
	Expenditure				
(396)	Net (Gain)/Loss on Disposal of Fixed Assets	-	-	-	0
4	Property Maintenance	1	-	-	1
4	Grounds Maintenance	6	-	-	6
1	Electricity	1	-	-	1
1	Payments to Other Agencies	6	-	-	6
2	Depreciation	2	-	-	2
(384)		16	0	0	16
(446)	(Surplus)/Deficit for the year	(53)	(1)	(22)	(76)

Note: The 2006/07 gain on the disposal of fixed assets figure relates to the sale of the Museum Hall, Bridge of Allan.

Common Good Balance Sheet As At 31st March 2008

2006/07		Stirling	Callander	Bridge of	Total
£'000		2007/08	2007/08	Allan	2007/08
£'000		£'000	£'000	£'000	£'000
	Tangible Fixed Assets				
132	Land & Buildings	130	-	-	130
	Investments				
26	Long Term Investments	23	3	-	26
	Current Assets				
1,242	Temporary Advances to Stirling Council	894	3	423	1,320
1,400	Total Assets Less Liabilities	1,047	6	423	1,476
(27)	Revaluation Reserve	(27)	-	-	(27)
(1,373)	Revenue Reserves	(1,020)	(6)	(423)	(1,449)
(1,400)		(1,047)	(6)	(423)	(1,476)

GROUP ACCOUNTS

GROUP INCOME AND EXPENDITURE ACCOUNT

2006/07		2007/08		
Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
106,740	Children's Services	99,956	(11,520)	88,436
38,678	Community Services	67,546	(25,214)	42,332
22,777	Environment Services	46,812	(19,870)	26,942
8,076	Joint Boards: - Police	8,613	0	8,613
4,634	- Fire	4,829	0	4,829
871	- Valuation	907	0	907
1,307	Corporate Services	18,640	(16,710)	1,930
3,375	Corporate & Democratic Core	3,269	43	3,312
1,366	Other Services	2,287	(1,087)	1,200
(818)	Non Distributed Costs	1,711	0	1,711
187,006	Net Cost of General Services	254,570	(74,358)	180,212
875	Housing Revenue Account	19,137	(17,694)	1,443
(2)	Stirling & Callander Common Good Funds - Operating Results	10	0	10
5	Charitable Trust Funds - Operating Results	7	0	7
3,433	Share of Operating Results of Associates	33,017	(31,170)	1,847
(629)	Share of Operating Results of Joint Ventures - Turnover	0	(768)	(768)
271	Share of Operating Results of Joint Ventures - Other	705	(1)	704
190,959	Net Cost of Services	307,446	(123,991)	183,455
(695)	Net (gain)/loss on the disposal of Fixed Assets	(7,328)	0	(7,328)
10,414	Interest Payable	10,104	0	10,104
170	Interest Payable by Subsidiaries	168	(49)	119
397	Share of Interest Payable by Associates	378	0	378
204	Share of Interest Payable by Joint Ventures	340	0	340
(1,697)	Net (surplus)/deficit on STO Accounts	1,799	(3,702)	(1,903)
(2,094)	Interest Receivable	0	(2,716)	(2,716)
(10)	Charitable Trust Funds - Interest Receivable	0	(12)	(12)
(67)	Interest Receivable by Subsidiaries	0	(50)	(50)
(101)	Share of Interest Receivable by Associates	0	(202)	(202)
(216)	Share of Interest Receivable by Joint Ventures	0	(231)	(231)
678	Pension Interest Costs & Expected Return On Assets	17,330	(17,250)	80
6,745	Pension Interest Costs & Expected Return On Assets - Associates	8,202	(894)	7,308
14	Taxation Payable by Subsidiaries	21	0	21
104	Share of JVs' Taxation Charge	43	(66)	(23)
204,805	Net Operating Expenditure	338,503	(149,163)	189,340
14	Minority Interests	15	0	15
204,819	Net Expenditure Before Sources of Finance	338,518	(149,163)	189,355
	Less: Sources of Finance			
(43,089)	Council Tax	0	(43,837)	(43,837)
(16)	Community Charge	0	(35)	(35)
(95,344)	General Government Grants	0	(104,039)	(104,039)
(32,038)	Non Domestic Rates Redistribution	0	(31,732)	(31,732)
34,332	Deficit For The Year	338,518	(328,806)	9,712

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

2006/07 £'000		2007/08 £'000
24,586	Deficit for the year on the Authority Inc & Exp Account	489
<u>468</u>	Adjustments for transactions with other Group Entities	<u>(240)</u>
25,054	Deficit in the Group Income and Expenditure Account attributable to the Authority	249
	(Surplus)/Deficit in the Group Income and Expenditure Account attributable to Group Entities:-	
(936)	Subsidiaries	96
10,480	Associates	9,345
<u>(266)</u>	Joint Ventures	<u>22</u>
<u>34,332</u>	Deficit for the year on the Group Inc & Exp Account	<u>9,712</u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/07		2007/08	
£'000		£'000	£'000
34,332	Deficit on the Group Income and Expenditure Account		9,712
	Surplus Arising on Revaluation of Fixed Assets:		
(25,662)	Stirling Council	(4,451)	
(518)	Subsidiaries/Associates/Joint Ventures	(4,548)	(8,999)
	Actuarial Gains on Pension Fund Assets and Liabilities:		
(21,384)	Stirling Council	(37,478)	
(11,829)	Associates	(32,408)	(69,886)
(25,061)	Total Recognised Gains for the Year		(69,173)
	<u>Reconciled to Balance Sheet Movements:</u>		
	Prior Year Balances:		
	- Revaluation Reserve	-	
3,313	Financial Instruments Adjustment Account	3,234	
(164,952)	Fixed Asset Restatement Account	(178,067)	
(127,992)	Capital Financing Account	(110,654)	
	- Capital Adjustment Account	-	
(1,598)	Capital Receipts Reserve	(1,571)	
237,865	Pension Reserve	216,018	
(6,526)	General Fund	(10,752)	
(3,813)	Other Reserves and Fund Balances	(6,972)	
(63,703)		(88,764)	
	Current Year Balances:		
	- Revaluation Reserve	(8,886)	
3,234	Financial Instruments Adjustment Account	3,154	
(178,067)	Fixed Asset Restatement Account	-	
(110,654)	Capital Financing Account	-	
	- Capital Adjustment Account	(286,024)	
(1,571)	Capital Receipts Reserve	(1,437)	
216,018	Pension Reserve	156,433	
(10,752)	General Fund	(13,697)	
(6,972)	Other Reserves and Fund Balances	(7,480)	
(88,764)		(157,937)	
(25,061)	(Increase)/Decrease in Net Worth		(69,173)

GROUP BALANCE SHEET

2006/07		2007/08	
£'000		£'000	£'000
	Intangible Fixed Assets		
-	Software Licences		202
	Tangible Fixed Assets		
	<i>Operational Assets</i>		
127,673	Council Houses		124,431
202,924	Other Land and Buildings		196,360
10,809	Vehicles, Plant and Equipment		10,156
46,473	Infrastructure Assets		49,687
1,649	Community Assets		1,863
	<i>Non Operational Assets</i>		
50,139	Investment Properties		13,261
26,490	Assets Under Construction		40,738
8,154	Surplus Properties		6,028
474,311	Total Fixed Assets		442,726
3,603	Long Term Investments		3,623
600	Venture Forth Development Fund		600
(127,961)	Share in Net Assets / (Liabilities) of Associates		(101,783)
9,036	Share in Gross Assets of Joint Ventures		13,814
(6,589)	Share in Gross Liabilities of Joint Ventures		(11,391)
12,713	Long Term Debtors		34,630
365,713	Total Long Term Assets		382,219
	Current Assets		
442	Stock and Work in Progress	188	
17,718	Debtors and Prepayments	21,344	
16,134	Investments	44,433	
(187)	Bank	384	
1,493	Cash In Hand	1,633	
35,600			67,982
	Current Liabilities		
(429)	Borrowing Repayable on Demand or Within 12 Months	(277)	
(32,319)	Creditors	(33,130)	
(247)	Land Compensation Provision	(257)	
(687)	Insurance Provision	(721)	
(3,407)	Equal Pay Provision	(4,815)	
(2,079)	Temporary Advances to Loans Fund	(1,850)	
(39,168)			(41,050)
362,145	Total Assets Less Current Liabilities		409,151
(77,807)	Net Pension Liability		(41,757)
(152,076)	Long Term Borrowing		(150,050)
(43,146)	Government Grants Deferred Account		(54,862)
-	Deferred Credits - Developers' Contributions		(4,188)
89,116	Total Assets Less Liabilities		158,294
	Represented By:		
-	Revaluation Reserve		(8,886)
3,234	Financial Instruments Adjustment Account		3,154
(178,067)	Fixed Asset Restatement Account		-
(110,654)	Capital Financing Account		-
-	Capital Adjustment Account		(286,024)
(1,571)	Usable Capital Receipts Reserve		(1,437)
216,018	Pension Reserve		156,433
(10,752)	General Fund		(13,697)
(6,972)	Other Reserves and Fund Balances		(7,480)
(88,764)	Group Balances and Reserves		(157,937)
(352)	Minority Interests		(357)
(89,116)	Total Balances and Reserves		(158,294)

GROUP CASH FLOW STATEMENT

2006/07		Notes	2007/08	
£'000			£'000	£'000
(21,740)	Net Cash (Inflow)/Outflow From Revenue Activities	K5		(18,880)
0	Dividends from Joint Ventures and Associates			-
	Returns on Investments and Servicing of Finance			
8,912	Interest Paid		11,720	
(1,719)	Interest Received		(1,962)	
<u>7,193</u>				<u>9,758</u>
(14,547)	Net Cash (Inflow)/Outflow From Operating Activities			(9,122)
12	Taxation			12
	Capital Expenditure and Financial Investment			
3,226	Purchase of fixed assets		25,380	
32,123	Other capital cash payments		42,104	
(6,287)	Sale of fixed assets		(69,077)	
(10,394)	Capital grants received		(13,451)	
(4,585)	Other capital cash receipts		(5,178)	
<u>14,083</u>				<u>(20,222)</u>
35	Equity Dividends Paid			33
	Acquisitions and Disposals			
-	Investments in Associates and Joint Ventures		1,984	
-	Sales of Investments in Associates and Joint Ventures		(1,974)	
<u>0</u>				<u>10</u>
(417)	Net Cash (Inflow)/Outflow Before Financing			(29,289)
	Management of Liquid Resources			
(1,376)	Net increase/(decrease) in short term deposits			28,227
	Financing			
316	Repayments of amounts borrowed		367	
-	New loans raised		0	
<u>316</u>				<u>367</u>
<u>(1,477)</u>	Net (Increase)/Decrease in Cash			<u>(695)</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 are included in note 26 of the Balance Sheet (pages 44-47).

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 seven 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 66) and Charitable Trusts held by the Council (pages 64-65) 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:

- Active Stirling Ltd - 41.7% of voting rights held by Stirling Council
- Central Scotland Joint Fire Board - 29.9% requisition share paid by Stirling Council
- Central Scotland Joint Police Board - 32.5% requisition share paid by Stirling Council
- Central Scotland Valuation Joint Board - 35.4% requisition share paid by Stirling Council
- Raploch Urban Regeneration Company Ltd - 50% of voting rights held by Stirling Council
- Raploch URC Landholdings Ltd - 50% of voting rights held by Stirling Council
- Stirling District Tourism Ltd - 42.9% 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 (Investments) Ltd - 50%
- Stirling Development Agency Ltd - 50%
- Stirling University Innovation Park Ltd - 50%

The Accounting period end for all entities is the 31st March 2008.

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, Raploch Urban Regeneration Company Ltd and Raploch URC Landholdings 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 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 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 2007/08, 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.

Forth Valley GIS Ltd

Forth Valley GIS Ltd provides corporate 'Geographical Information System' services to the three partner Councils - Clackmannanshire, Falkirk and Stirling. The company was incorporated on 1st July 2007. Stirling Council is entitled to be represented by two Directors out of six on the company's board. Given the immaterial level of the company's

reported financial outturns for 2007/08, it has been deemed unnecessary to include Forth Valley GIS Ltd within the 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 £96.679m. 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) of Consolidated Entities £,000	Group Share of Consolidated Entities' Net Assets/(Liabilities) %	£,000
Central Scotland Joint Police Board	(249,302)	32.5%	(81,023)
Central Scotland Joint Fire Board	(73,500)	29.9%	(21,976)
Central Scotland Valuation Joint Board	(822)	35.4%	(291)
Other Consolidated Entities	10,759	61.4%	6,611
	<u>(312,865)</u>		<u>(96,679)</u>

5. Group Cashflow Statement

The impact of incorporating the Subsidiary Companies, Charitable Trusts and the Stirling, Callander and Bridge of Allan Common Good Funds within the Group Cashflow Statement is to increase the positive movement in the net cash position by £0.127m.

The overall Group net deficit for the year of £9.712m can be reconciled to the Group revenue activities net cash inflow of £18.880m as follows:

	£'000	£'000
Deficit per Group I&E Account		9,712
Impact of Consolidated Entities on Group I&E Account		<u>(9,223)</u>
Deficit per Stirling Council I&E Account		489
Surplus of Consolidated Entities included in Group Cashflow Statement		<u>(165)</u>
		324
Non Cash Items		
Adjustments not involving movement of funds	(22,047)	
Contributions (to) / from Provisions	<u>(1,291)</u>	(23,338)
Items on an Accruals Basis		
Increase / (Decrease) in Stock & Work in Progress	(253)	
Increase / (Decrease) in Debtors	1,771	
(Increase) / Decrease in Creditors	<u>2,616</u>	4,134
Net Cash Inflow from Group Revenue Activities		<u>(18,880)</u>

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This assurance statement is given in respect of the Abstract of Accounts of Stirling Council for the year ended 31st March 2008, including the group entities within the Council's consolidated accounts.
2. The Council acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
3. 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.
4. 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.
5. The Council's system of internal financial control is also subject to independent review through the work of the Council's Internal Audit function. Although the work of Internal Audit 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

Internal Audit 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.

Internal 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 Head of Governance, the Director of Corporate Services, the Chief Executive, External Audit and all Council Members.

Internal Audit's work must meet the standards laid down in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006). This is confirmed each year by External Audit in order to place reliance upon the work of Internal Audit in relation to the core financial systems. Along with other Services within the Council, Internal Audit is required to meet a number of internal performance indicators. In 2007/08, Internal Audit'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 2007/08, 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.

6. 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.
7. Service Directors are required to provide their own assurance statements relating to the system of internal financial controls operating in their service to support the Council's overall assurance statement. Self-assessment forms were issued in early 2008 as the basis for Services to provide a more detailed and in-depth review of financial controls. This self-assessment process has highlighted a number of areas that require to be addressed by Services. This work, along with the independent reviews and recommendations of the Council's Internal Audit function will ensure that the internal control framework across Services continues to be developed, refined and strengthened.

Internal Audit reports published during 2007/08 highlighted a number of areas for improvement and strengthening the internal financial control framework of the Council. Action has already been taken by Services to:

- improve compliance with agreed and documented procedures,
- introduce new or strengthen existing controls,
- manage contracts and partnership-working arrangements more effectively,
- deliver core services more efficiently, and
- improve corporate and financial governance arrangements.

In 2007/08 the key areas for improvement and strengthening the internal financial control framework of the Council, as identified by the work of Internal Audit included:

- The governance arrangements for the Council's relationship with partners, arms-length & associated companies, including:
 - Active Stirling,
 - Forth Valley GIS Ltd,
 - Raploch Urban Regeneration Co. Ltd,
 - Forth Valley Criminal Justice Authority,
 - Joint Loan Equipment Scheme and
 - Central Scotland Safety Camera Partnership.
- The controls over Council expenditure and income in terms of:
 - the administration of corporate purchasing cards (including their issue and cancellation);
 - the use of fuel cards (including their issue and cancellation and PIN security measures); and
 - the arrangements for payment of housing grants to private householders.
 - the arrangements for debit & credit card payments on-line and via the Council's Contact Centre;
 - income receipting and reconciliation at a Council arts venue; and
 - school meals income receipting, banking and accounting.
- The controls over financial and operational aspects of "customer-facing" service delivery arrangements, including:
 - Council Care Home services,
 - "Home Shopping" service,
 - Pest Control services,
 - "Home to School" transport services and
 - Cemeteries service.

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 Resources, the Head of Governance, the Director of Corporate Services, the Chief Executive and the Governance and Audit Committee.

From the work carried out by Internal Audit during 2007/08 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.

For 2007/08 it can be confirmed that all material recommendations have been, or are currently being acted upon by Services. Issues identified during 2007/08 will be followed-up by Internal Audit as part of the 2008/09 Audit Plan.

8. The need for local authorities to comply fully with group accounting arrangements requires that the Statement of Internal Financial Control should also incorporate assurance on the system of internal financial controls within each of the consolidated entities within Stirling Council's group accounts. The consolidated entities are outlined in note 1 to the Group Accounts (page 72).
9. All consolidated entities are required to prepare a set of annual financial statements, which are subject to independent audit scrutiny and certification. Stirling Council provides an Internal Audit Service to some of these entities and can therefore provide assurance that each has reasonable governance arrangements. Additionally for all of the consolidated entities, senior officers and elected members serve on the Boards and Scrutiny Forums and are therefore well placed to assess the governance arrangements that apply. For each of the consolidated entities, there are no material control weaknesses requiring to be reported.
10. The Auditor's Report on the 2006/07 Council Accounts highlighted that arrangements would be established to review governance arrangements within all companies and arms-length external organisations as well as those bodies working towards the achievement of Council set objectives. It is intended that members of Stirling Council's Internal Audit team will undertake the programme of reviews along with the External Auditor who is intending a strategic review of Associated Companies in 2008/09. The selection of companies for review will be determined in consultation with the relevant Directorates and according to specific criteria to be established in consultation with the External Auditor.
11. The principal objectives of the programme of reviews will be to:
 - Demonstrate that the Council is taking steps to address the recommendations highlighted in the "Following the Public Pound" report issued by the Controller of Audit (Audit Scotland) in March 2004 on behalf of the Accounts Commission.
 - Demonstrate that the Council is, on an ongoing basis, assessing the appropriateness of corporate governance arrangements in place in its associated Companies and exercising due diligence in the consolidation of the financial statements of those associated Companies with the Council's financial statements.
12. Given that there are a number of Associated Companies of the Council, it is proposed that a rolling programme of review of the corporate governance, financial and operational controls in place within these entities be scheduled over the next three years. The Council's Strategic and Annual Operational plans and Internal Audit plans will be adjusted accordingly.

Signature
Date 30 September 2008

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 2008 under Part VII of the Local Government (Scotland) Act 1973. The financial statements 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 Account, Common Good Funds Account, and the related notes and the Statement of Accounting Policies together with the Group Accounts. 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 relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the 2007 SORP) are set out in the Statement of Responsibilities for the financial statements.

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, in accordance with relevant legal and regulatory requirements and the 2007 SORP the financial position of the local authority and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

I also report to you if, in my opinion, 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 compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider, nor have I considered, whether this statement covers all risk and controls, or 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 Explanatory 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. My 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 most appropriate to the local authority's and its group 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 relevant legal and regulatory requirements and the 2007 SORP, the financial position of Stirling Council and its group as at 31 March 2008 and its income and expenditure for the year then ended; and
- 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 2008 in respect of the following significant trading operations

- Grounds Maintenance
- Refuse Collection
- Building Cleaning
- Catering

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30 September 2008