



# **STIRLING COUNCIL**

## **ABSTRACT OF ACCOUNTS 2009-2010**

# 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 2009/10 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 Finance and Procurement.

### **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 31<sup>st</sup> 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**

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.

## 2. General Fund Financial Position

### Net Expenditure

Total Net Expenditure for 2009/10 was £0.4m more than budget as a result of a number of factors.

Outturn Service expenditure was £0.6m less than budget. All Services reported final outturns either within or close to budget with the exception of Education, Roads and Social Care. All four reported STO activities achieved a statutory surplus in 2009/10.

During the year, £2.9m was released from balances to fund the first year costs of implementing budget savings from the Diagnostics project, which examined efficiency options across the Council. Loan Charges and interest were £1.0m less than budget due to ongoing careful management of the Council's cashflow, 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 5.74%. The Council also benefited from a recovery of VAT totalling £0.15m from HM Revenue & Customs, which has been included in the loan charges figure.

The Council meeting of 19th February 2009 approved the setting aside of £1.3m for Council priorities. A sum of £0.4m was released from this sum during 2009/10 leaving a balance of £0.9m. Council originally agreed that this balance would only be released to Services on the satisfactory achievement of savings from the Diagnostics project. However, given the existence of other budget pressures and the impending financial outlook for future years, Council agreed not to release any of the remaining £0.9m of monies set aside.

### Financing Information

Income generated from Revenue Support Grant and Non Domestic Rates during the year exceeded budget by £0.05m due to redeterminations of grant, the most significant being in relation to regeneration initiatives. 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 exceeded budget by £0.15m. The Council Tax collection rate for 2009/10 has increased to 97.2% of total billings, being an increase of 0.1% from the previous year, and continues to represent the highest in-year collection rate across mainland authorities. Direct debit payments now account for 72% of total Council Tax income collection, an increase of 1% from last year and again representing the highest level across all authorities. The Council also continues to successfully recover prior years' outstanding Council Tax and 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 had agreed during 2008/09 that Service carry forwards to 2009/10 be suspended given the need to fund from balances the first year costs of implementing budget savings from the Diagnostics project. Given the continuing pressures on Council balances and the likely financial outlook over the next few years, the Council agreed during 2009/10 to suspend Service budget carry forwards to 2010/11 under the Scheme of Devolved Budget Management.

### Balances

Total General Fund Reserves (including HRA balances) amounted to £13.029m as at 31<sup>st</sup> March 2010 (£13.412m as at 31<sup>st</sup> March 2009). HRA balances amounted to £0.424m at 31<sup>st</sup> March 2010 (£0.424m at 31<sup>st</sup> March 2009). General Fund Reserves also included a number of earmarked balances totalling £6.577m (£6.709m, 2008/09).

General Fund Earmarked Balances: Note 41, Page 46

HRA Balances: Page 60

After taking account of both HRA and earmarked balances, uncommitted General Fund Balances as at 31<sup>st</sup> March 2010 were £6.452m representing 3% of General Fund Budget (£6.703m, representing 3.2%, 2008/09). The level of uncommitted General Fund balances reflects continued sound budget management throughout the Council, and will assist the Council in fulfilling its policy objectives and provide flexibility as public finances enter a very difficult period.

The following table provides an overview of the uncommitted General Fund balances position for 2009/10:

|                                       | <b>Revised<br/>Budget<br/>£000</b> | <b>Actual<br/>Outturn<br/>£000</b> | <b>Variance<br/>£000</b> |
|---------------------------------------|------------------------------------|------------------------------------|--------------------------|
|                                       |                                    |                                    | *( ) =<br>Favourable     |
| Services Net Expenditure              | 180,037                            | 179,467                            | (570)                    |
| Corporate Budgets Net Expenditure     | 32,379                             | 33,396                             | 1,017                    |
| <b>Total Net Expenditure</b>          | <b>212,416</b>                     | <b>212,863</b>                     | <b>447</b>               |
| <b>Financed by:-</b>                  |                                    |                                    |                          |
| Revenue Support Grant & NDR Income    | (169,012)                          | (169,063)                          | (51)                     |
| Council Tax                           | (43,404)                           | (43,549)                           | (145)                    |
| <b>Financing Income</b>               | <b>(212,416)</b>                   | <b>(212,612)</b>                   | <b>(196)</b>             |
| <b>Net (Surplus)/Deficit for year</b> | <b>0</b>                           | <b>251</b>                         | <b>251</b>               |
| Balances as at 31st March 2009        | (6,703)                            | (6,703)                            | 0                        |
| <b>Balances as at 31st March 2010</b> | <b>(6,703)</b>                     | <b>(6,452)</b>                     | <b>251</b>               |

**Net General Fund Balances of £6.452m represent 3% of 2010/11 revenue budget.**

#### **Service Restructuring**

As part of the work carried out under the Diagnostic Project and the review of Management structures across the organisation, the Council undertook a major restructuring of its Services during 2009/10. The previous Corporate, Education, Community and Environmental Services were reconfigured to create 11 new Services plus a Chief Executive's Office. Relevant comparative figures for 2008/09 have been amended to reflect the new Service structure.

Prior Year Adjustments: Note 1, Page 20

#### **Impact of the Economic Recession**

The current economic recession has impacted on the Council to a certain degree during 2009/10. Falling interest rates have resulted in lower levels of interest income received from investment of the Council's surplus cash balances. The banking crisis has also required the Council to undertake a fundamental review of its Treasury counter-parties to assess their continuing credit-worthiness. Going forward, public finances will be extremely difficult due to the need to take a share of UK Government spending cuts, which will have a significant detrimental impact on future levels of general government grant. The Council has been receiving reports on the anticipated budgetary impact of these factors, which outline an estimated budget gap of around £30m over the next 3 years.

### **3. Housing Revenue Account**

Total Net Expenditure for 2009/10 was £nil, resulting in HRA balances of £0.424m at 31<sup>st</sup> March 2010 (£0.424m at 31<sup>st</sup> March 2009).

### **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 2009/10 was £0.035m (£0.044m, 2008/09). 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.

The reported rolling 3-year statutory trading position for each of the STOs shows that Building Cleaning failed to meet its statutory objective to break even over the period 1st April 2007 to 31st March 2010. The reason for this was the charging of equal pay costs in the two years 2007/08 and 2008/09.

In aggregate, the STOs achieved a statutory surplus of £0.958m in 2009/10 (£0.399m deficit in 2008/09) after taking account of IORB and notional interest charges.

STO Trading Accounts: Notes 52-56, Pages 53-58

## **5. Capital Account**

During 2009/10 the Council invested in new and existing fixed assets, such as land and buildings, in order to maintain and improve its services. Capital investment programmes are determined with reference to the prudential code, which 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 £21.962m against a full year budget of £24.954m, an underspend of £2.992m. The most significant area of underspend during the year was in the City Transport Strategy budget. Expenditure on this budget included the completion of the A811 Kings Knot / Raploch Road upgrade and roundabout however, progress on the A91 / B9124 Greenyards Roundabout project was delayed until the beginning of April 2010 due to protracted land negotiations. Work on this project is now progressing and is due for completion by October 2010.

The final outturn for the Housing Capital Programme shows expenditure of £8.950m against a programme budget of £8.954m.

## **6. Borrowing and Lending Arrangements**

In accordance with the approved Treasury Management Strategy for 2009/10, 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 2009/10 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.

Prudent cash flow management resulted in a cost of debt pool rate of interest to 5.74%, and resulted in savings against loan charges budgets of £1.0m for General Services and £0.461m for the Housing Revenue Account.

External Debt Levels and Treasury Management Performance complied with the 2009/10 Prudential Indicators as approved by the Council on 19<sup>th</sup> February 2009.

## **7. Single Status / Job Evaluation / Equal Pay**

In line with all Scottish local authorities, the Council has undergone a review of levels of employee pay and terms and conditions under the Single Status and Job Evaluation process. The Council implemented Single Status and Job Evaluation by agreement with all employees individually, with new employee grades and terms and conditions coming into effect from 16<sup>th</sup> February 2009.

The process extended to all levels of employees and had the broad aim of bringing together the terms and conditions of the manual and salaried workforces. This involved the evaluation of the duties of a range of posts with the intention of creating benchmarks against which all posts could be compared. The outcome of the process resulted in the majority of employees experiencing no change in their rates of pay.

Provision of £5.94m had been made in the 2008/09 accounts to meet estimated remaining settlement costs arising from equal pay claims. During 2009/10 a sum of £2.01m was paid to female manual workers, representing the final settlement payment of equal pay claims. Following a review of potential future liabilities, a provision of £3.93m will be required to cover 100% of the estimated compensation claims from male manual workers, together with potential liabilities that may arise from the decision in the Redcar & Cleveland Borough Council v Bainbridge case which examined the issue of employee cash conservation arrangements.

## 8. 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 has now been concluded. In November 2005 the Council made an advance payment of compensation of £0.266m (inclusive of interest) with a final payment of £0.253m (inclusive of interest) being made in August 2009. Provision has been made in the accounts to meet the final settlement of outstanding legal costs.

## 9. Pension Assets and Liabilities

The Council is required to comply with the accounting principles as required by Financial Reporting Standard 17 "Retirement Benefits" (FRS17). 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 FRS17 entries on the Council's Income & Expenditure Account and Balance Sheet is as follows:

- The requirement to replace employer's contributions with current service costs means that costs of individual services disclosed within the Income and Expenditure Account are 4.25% lower in 2009/10 than they otherwise would have been (2.03% lower in 2008/09).
- Net Operating Expenditure within the Income & Expenditure Account is 5.66% higher in 2009/10 than otherwise would have been (0.34% lower in 2008/09).
- The requirement to recognise the Net Pension Liability in the Balance Sheet has reduced the reported net worth of the Council by 41.8% in 2009/10 (18.9% reduction in 2008/09).

Hymans Robertson, an independent firm of actuaries, has calculated a net liability position of £198.6m on the Local Government Pension Scheme as at 31st March 2010 (£84.6m as at 31st March 2009). The £114m reported increase in the net liability position is principally due to the fact that the financial assumptions at 31st March 2010 are much less favourable than they were at 31st March 2009, and mortality assumptions have been strengthened to reflect improvements in life expectancy.

Pension Scheme benefits are linked to price inflation and salary inflation. Therefore, comparisons need to be made between the real discount rate (i.e. net of price inflation) from year to year when assessing the effect of changes in financial assumptions on the FRS17 liabilities. The discount rate has decreased significantly from 6.9% p.a. as at 31st March 2009 to 5.5% p.a. as at 31st March 2010. This is due to a fall in corporate bond yields over the year combined with an increase in the level of inflation expectations. All else being equal, a lower discount rate leads to a higher value being placed on the liabilities. Therefore the change in discount rate between March 2009 and March 2010 has had a substantially negative impact on the FRS17 balance sheet, increasing the value of the liabilities by around 40% to 45% typically.

Conversely, the previous twelve months have been generally good for investment markets, resulting in higher than expected returns on assets and hence a positive impact on the FRS17 position. Unfortunately this positive impact has been significantly outweighed by the negative impact from increased liabilities. The significantly adverse FRS17 position is common to all Scottish local authorities and other members of the Local Government Pension Scheme.

Employer's contributions to the pension fund during 2009/10 were charged at 18.0% of total pensionable employee pay in line with actuarial advice following the most recent formal fund valuation at 31<sup>st</sup> March 2008. Both employer's contributions and pension investment returns will continue to be monitored on an ongoing basis.

Pension Assets & Liabilities: Note 35, Pages 39-43

## 10. 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, have been prepared in accordance with UK GAAP requirements. After consolidation, the Group Balance Sheet shows a reduction in reserves and net assets (including minority interests) of £185.783m or 67.2% 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. It is appropriate for all entities 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.

Group Accounts: Pages 67-74

## 11. International Financial Reporting Standards

The annual financial statements for the Council and all other local authority entities are currently prepared using accounting policies based on UK Generally Accepted Accounting Practice (UK GAAP). The financial statements for 2009/10 represent the final set of accounts to be prepared under this regime.

In order to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice, all local authorities in Scotland will be required to convert to financial reporting under International Financial Reporting Standards (IFRS). This will require production of a full set of IFRS compliant financial statements for 2010/11. This new reporting regime will bring significant challenges for local authorities, requiring revisions to accounting policies, changes in the format of financial statements and systems and a significant number of additional disclosures.

The Council continues to work closely in a partnership arrangement with CIPFA and PwC to prepare for IFRS. This partnership and approach will provide an effective way to ensure that the Council achieves a consistent and accurate transition with minimum disruption.

The IFRS transition has already begun in the 2009/10 financial statements, with local authorities being required to comply with IFRS requirements for PFI/PPP schemes. This means that all the Council's new PPP High Schools and Balforn High School have been brought back onto the Council's Balance Sheet and accounted for accordingly. The main impact of these changes on the Council's Balance Sheet is that land & buildings assets have increased by £155.6m in 2009/10 (2008/09, 158.1m), with the creation of a Finance Lease creditor of £75.6m (2008/09, £77.2m) representing the Council's commitment to make future payments under the contracts. The previous long-term debtors figure of £37.7m representing upfront capital payments made towards the residual values of the schools has been netted off against the Finance Lease Liability.

Prior Year Adjustments: Note 1, Page 20

## 12. Balforn High School PFI

At the end of March 2010, Jarvis plc who built Balforn High School and its subsidiary Jarvis Accommodation Services, the company appointed to manage the running of services at Balforn High School, entered administration. The administrator quickly approached the Council regarding an offer from a new company, SGP Limited, to take over both the PFI contract and the facilities management (FM) sub contract.

The Council had a contractual right to terminate the contract as a result of Jarvis plc going into administration, which would have allowed the Council to either provide services itself, or seek another provider. However, the Scottish Government indicated that termination of the contract would lead to cessation of Level Playing Field Support, as the contract would no longer be a PFI contract. This meant that termination of the contract would not have been financially viable as it could have led to the loss of £1.59M per annum of support grant. Despite lengthy discussions between Council officers and the Scottish Government, it was not possible to find a way forward that would allow termination of the contract, yet maintain Level Playing Field Support.

At the end of June 2010, the administrators wound down their active involvement with the project with SGP Limited managing the contract under licence. Negotiations with SGP Limited to conclude the novation of the main contract and FM sub contract have reached a stage where the Council is now able to satisfy itself with regards to the suitability of SGP Limited. The Council meeting scheduled for 7<sup>th</sup> October 2010 will receive a report seeking approval to conclude the novation of the Balforn Schools PFI contract and the associated FM sub contract to SGP Limited.

Schools PFI/PPP: Note 18, Pages 29-30

Signature  
Date 30<sup>th</sup> September 2010

*W. R. Watson*

Willie Watson CPFA  
Head of Finance & Procurement



# STATEMENT OF ACCOUNTING POLICIES

## 1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Any exceptions to this are stated in the notes. The accounts have been prepared on the historical cost basis, with the exception of certain classes of fixed assets, which are shown at current valuation. Prior year comparative figures are shown where appropriate.

## 2. Accounting Concepts

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies. The materiality concept means that information is only included where it is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statements for the year in which they occur, not in the period in which payment is made or income received. The going concern concept assumes that the Council will not significantly curtail the scale of its operations. Lastly, legislative requirements have priority over accounting principles in the event of conflict between legislation and the Accounting Code.

## 3. 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. Interest accruals in respect of Investments are included against the carrying value of current asset Investments in line with recommended accounting practices, instead of being carried against debtors.

## 4. Expenditure and Creditors

Expenditure included in the accounts relates to services provided in the year of account. All salaries and wages earned up to 31<sup>st</sup> March 2010 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. Interest accruals in respect of Borrowing are included against the carrying value of Borrowing liabilities in line with recommended accounting practices, instead of being carried against creditors.

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.

## 5. 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 "Capital Contributions Deferred 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.

Government Grant Deferred Account: Note 36, Page 43  
Capital Contributions Deferred Account: Note 37, Page 44

## 6. Lease Arrangements

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.

Finance Lease rental payments made under the Schools PFI/PPP contracts are apportioned between the finance charge (interest) and the reduction of the outstanding obligation (principal). The finance charge is allocated and charged to revenue (Interest Payable) over the term of the lease. The reduction in the outstanding obligation (Finance Lease Creditor Repayment) is debited to the Balance Sheet as a reduction against the outstanding Finance Lease Liability.

Finance & Operating Leases: Notes 7-8, Page 23-24  
Lease assets held: Note 25, Page 32  
Schools PFI/PPP: Note 18, Page 29-30

## 7. 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 also included. 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.

## 8. 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.

Pension Assets & Liabilities: Note 35, Pages 39-43

## 9. 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. In cases where a statutory power does not exist to create a separate reserve, local authorities can choose to earmark a portion of the General Fund. The Council maintains a number of reserves and has chosen to earmark elements of the General Fund.

Reserves & Fund Balances: Note 40, Page 45  
General Fund Earmarked Balances: Note 41, Page 46  
Capital Reserves: Note 42, Page 46  
Other Statutory Funds: Note 43, Page 47

## 10. Provisions

In accordance with FRS12 Provisions, Contingent Liabilities and Contingent Assets, a provision can 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.

## 11. 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.

Associated Bodies: Note 45, Pages 47-50  
Trust Funds: Pages 64-65  
Common Good: Page 66

## 12. 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. |

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.

## 13. 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.

Statement of Movement on General Fund Balances: Note 11, Page 25

## 14. 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 50 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                         |
| Infrastructure Assets:         | up to 30 years, with no residual value |
| 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.

## **15. 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.

## **16. 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.

## **17. 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.

## **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 previously recognised a contingent liability issue in respect of Single Status/Job Evaluation/ Equal Pay grievances representing the difference between the allocated provision and total potential costs that could arise. This concerns the ongoing review of levels of employee pay and terms and conditions under the Single Status/Job Evaluation process, and the receipt of statutory grievances from individual employees on the basis of unequal pay compared to other groups of employees. An overall provision has been included within the accounts to meet the estimated liabilities that may arise from these issues. As the provision is expected to represent the total potential costs that could arise, it is deemed no longer required to disclose a contingent liability.

Equal Pay Provision: Note 39, Pages 44-45

## **19. Schools PFI/PPP Accounting Arrangements**

In accordance with IFRIC 12, Unitary Charge payments are split between service, principal and interest elements. The Income & Expenditure Account is charged with the service and interest elements, with the service element charged to Service revenue accounts and the interest element charged to Interest Payable. The principal element is debited to the Statement of Movement in General Fund Balances.

Within the Balance Sheet, the Finance Lease Liability is written down by the principal element with a corresponding credit to the Capital Adjustment Account. The school asset values have been added to the Land & Buildings fixed asset category in the Balance Sheet and will be depreciated over the respective contract periods.

Schools PFI/PPP: Note 18, Page 29-30

## **20. 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 (plus accrued interest) 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 Statement of Movement on the General Fund Balance in line with previously calculated schedules.

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, two Fair Value comparators are disclosed. Information provided by the Council's Treasury Management Advisors determines Fair Value with reference to new borrowing rates applicable in the market on the date of valuation and effectively calculates the notional interest/gain

that would accrue if the Council kept the loans to maturity. Alternatively, the Fair Value determined by the Public Works Loan Board uses the early repayment rate and effectively calculates the amount the Council would have to pay to avoid the notional loss or realise the notional gain. The Fair Value of 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.

Financial Instruments: Notes 27-30, Pages 33-38

## **21. 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 (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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

Financial Instruments: Notes 27-30, Pages 33-38

## **22. National Non-Domestic Rates**

The 2009 SORP makes clear that the collection of National Non-Domestic Rates (NNDR) is carried out by Scottish local authorities as an agent activity acting on behalf of the Scottish Government. It therefore follows that:

- NNDR income is not the income of the billing authority and is therefore excluded from its Income and Expenditure Account.
- NNDR debtor and creditor balances with taxpayers and provisions for doubtful debts are not assets of the billing authority and are therefore not recognised in the billing authority's Balance Sheet.
- Cash collected from NNDR taxpayers belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date shall be included as a creditor in the Balance Sheet. Similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers, the excess should be shown as a debtor in the Balance Sheet.
- The difference between cash collected from NNDR taxpayers and the amount paid into the NNDR national pool shall be included as part of the management of liquid resources figure in the Cashflow Statement as a net increase/decrease in other liquid resources.

Prior Year adjustments have been made to the 2008/09 Balance Sheet and Cashflow Statements to take account of the new SORP requirements.

Debtors and Prepayments: Note 23, Page 32  
Cashflow Statement: Page 19  
Management of Liquid Resources: Note 49, Page 51

# STATEMENT OF RESPONSIBILITIES

## **The Authority's Responsibilities**

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 Finance and Procurement.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

## **The Head of Finance & Procurement's Responsibilities**

The Head of Finance & Procurement 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 the United Kingdom ('the Code of Practice'), the accounts are required to present a true and fair view of the financial position of the authority including income and expenditure as at the accounting date.

In preparing this statement of accounts, the Head of Finance & Procurement 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 Finance & Procurement 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.

# CORE FINANCIAL STATEMENTS

## INCOME AND EXPENDITURE ACCOUNT

| 2008/09                      |  |          | 2009/10                       |                          |                             |
|------------------------------|--|----------|-------------------------------|--------------------------|-----------------------------|
| Restated<br>Net Exp<br>£'000 |  | Notes    | Gross<br>Expenditure<br>£'000 | Gross<br>Income<br>£'000 | Net<br>Expenditure<br>£'000 |
| 579                          | Assets, Property & FM                              |          | 651                           | (7)                      | 644                         |
| 117                          | Chief Executive Office                             |          | 190                           | 0                        | 190                         |
| 7,968                        | Communities & Culture                              |          | 11,854                        | (1,191)                  | 10,663                      |
| 86,044                       | Education  |          | 91,751                        | (3,782)                  | 87,969                      |
| 7,368                        | Economy, Employment & Youth                        |          | 4,279                         | (2,353)                  | 1,926                       |
| 1,245                        | Finance & Procurement                              |          | 1,592                         | (1,001)                  | 591                         |
| 276                          | Governance   |          | 531                           | (118)                    | 413                         |
| 2,193                        | Housing  |          | 9,647                         | (6,285)                  | 3,362                       |
| 83                           | Improvement & Customer Service                     |          | 619                           | (155)                    | 464                         |
| 12,677                       | Planning, Regulation & Waste                       |          | 19,183                        | (9,538)                  | 9,645                       |
| 15,654                       | Roads, Transport & Open Space                      |          | 22,044                        | (5,594)                  | 16,450                      |
| 40,250                       | Social Care  |          | 53,754                        | (11,778)                 | 41,976                      |
| 8,765                        | Joint Boards: - Police                             |          | 9,662                         | (653)                    | 9,009                       |
| 5,126                        | - Fire   |          | 5,410                         | 0                        | 5,410                       |
| 928                          | - Valuation  |          | 955                           | 0                        | 955                         |
| 3,401                        | Corporate and Democratic Core                      |          | 3,599                         | (250)                    | 3,349                       |
| 1,524                        | Other Services                                     |          | 1,950                         | (988)                    | 962                         |
| 943                          | Non Distributable Costs                            |          | 11,391                        | 0                        | 11,391                      |
| <b>195,141</b>               | <b>Net Cost of General Services</b>                |          | <b>249,062</b>                | <b>(43,693)</b>          | <b>205,369</b>              |
| 15,151                       | Housing Revenue Account                            | pg 59-61 | 11,932                        | (16,103)                 | (4,171)                     |
| <b>210,292</b>               | <b>Net Cost of Services</b>                        | 3        | <b>260,994</b>                | <b>(59,796)</b>          | <b>201,198</b>              |
| 7,896                        | Net loss on the disposal of Fixed Assets           |          |                               |                          | 323                         |
| (2)                          | Net surplus on STO Accounts                        | 52       |                               |                          | (34)                        |
| 15,621                       | Interest payable and similar charges               | 35       |                               |                          | 14,876                      |
| (3,449)                      | Interest and Investment Income                     |          |                               |                          | (1,187)                     |
| 2,294                        | Pension Interest Costs & Expected Return On Assets |          |                               |                          | 7,071                       |
| <b>232,652</b>               | <b>Net Operating Expenditure</b>                   |          |                               |                          | <b>222,247</b>              |
| (43,821)                     | Council Tax  | pg 62    |                               |                          | (43,983)                    |
| (21)                         | Community Charge                                   |          |                               |                          | (6)                         |
| (127,940)                    | General Government Grants                          |          |                               |                          | (133,573)                   |
| (33,683)                     | Non Domestic Rates Redistribution                  | pg 63    |                               |                          | (37,118)                    |
| <b>27,187</b>                | <b>Deficit For The Year</b>                        |          |                               |                          | <b>7,567</b>                |

## 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.

| <b>2008/09</b>        |   | <b>Notes</b> | <b>2009/10</b>        |
|-----------------------|---|--------------|-----------------------|
| <b>Restated</b>       |   |              |                       |
| <b>£'000</b>          |   |              | <b>£'000</b>          |
| 27,187                | (Surplus)/Deficit on the Income and Expenditure Account   |              | 7,567                 |
| (26,902)              | Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year | 11           | (7,184)               |
| <hr/>                 |   |              | <hr/>                 |
| <b>285</b>            | <b>Decrease in General Fund Balance for the Year</b>  |              | <b>383</b>            |
| <hr/> (13,697)        | General Fund Balance brought forward  |              | <hr/> (13,412)        |
| <hr/> <b>(13,412)</b> | <b>General Fund Balance carried forward</b>   |              | <hr/> <b>(13,029)</b> |

Statement of Movement on the General Fund Balances: Note 11, Page 25



# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Balance Sheet comparative figures for 2008/09 have been amended to reflect prior year adjustments mainly resulting from the introduction of amended accounting arrangements for PFI/PPP schemes under new International Financial Reporting Standards.

Schools PFI/PPP: Note 18, Pages 29-30  
Prior Year Adjustments: Note 1, Page 20

| <b>2008/09</b>                                       |   |              | <b>2009/10</b>          |
|--|---|--------------|-------------------------|
| <b>Restated</b>                                      |   |              |                         |
| <b>£'000</b>   |   | <b>Notes</b> | <b>£'000</b>            |
| 27,187   | (Surplus)/Deficit on the Income and Expenditure Account         |              | 7,567                   |
| (170,856)  | Surplus Arising on Revaluation of Fixed Assets                  | 40           | (24,455)                |
| 43,631   | Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities | 35           | 103,313                 |
| <b><u>(100,038)</u></b>                              | <b>Total Recognised (Gains)/Losses for the Year</b>             |              | <b><u>86,425</u></b>    |
| <b><u>Reconciled to Balance Sheet Movements:</u></b> |   |              |                         |
| <b>Prior Year Balances:</b>                          |   |              |                         |
| (15,525)   | Revaluation Reserve   | 40&42        | (184,505)               |
| 3,154  | Financial Instruments Adjustment Account                        |              | 3,074                   |
| (274,874)  | Capital Adjustment Account                                      | 40           | (249,133)               |
| (1,230)  | Capital Receipts Reserve  | 40&42        | (1,230)                 |
| 41,757   | Pension Reserve   | 40           | 84,603                  |
| (13,697)   | General Fund (including Housing Revenue A/c balances)           | 40&41        | (13,412)                |
| (1,959)  | Insurance Reserve   | 40&43        | (1,809)                 |
| (450)  | Repairs & Renewals Fund   | 40&43        | (450)                   |
| <b><u>(262,824)</u></b>                              |   |              | <b><u>(362,862)</u></b> |
| <b>Current Year Balances:</b>                        |   |              |                         |
| (184,505)  | Revaluation Reserve   | 40&42        | (207,780)               |
| 3,074  | Financial Instruments Adjustment Account                        |              | 2,994                   |
| (249,133)  | Capital Adjustment Account                                      | 40           | (253,842)               |
| (1,230)  | Capital Receipts Reserve  | 40&42        | (1,390)                 |
| 84,603   | Pension Reserve   | 40           | 198,637                 |
| (13,412)   | General Fund (including Housing Revenue A/c)                    | 40&41        | (13,029)                |
| (1,809)  | Insurance Reserve   | 40&43        | (1,436)                 |
| (450)  | Repairs & Renewals Fund   | 40&43        | (591)                   |
| <b><u>(362,862)</u></b>                              |   |              | <b><u>(276,437)</u></b> |
| <b><u>(100,038)</u></b>                              | <b>(Increase)/Decrease in Net Worth</b>                         |              | <b><u>86,425</u></b>    |

The cumulative effect of prior year adjustments arising from the inclusion of PFI/PPP assets in the Council's balance sheet amounted to £41.877m. Revaluation Reserve increased by £45.161m with the Capital Adjustment Account decreasing by £3.284m.

Prior Year Adjustments: Note 1, Page 20



# CASH FLOW STATEMENT

| 2008/09<br>Restated<br>£'000 |   | Notes | 2009/10<br>£'000 |
|------------------------------|---|-------|------------------|
| <u>7,728</u>                 | <b>Net cash outflow from Revenue Activities</b>         | 46    | <u>20,867</u>    |
|                              | <b>Dividends from Joint Ventures and Associates</b>     |       |                  |
| (750)                        | Dividends Received                                      |       | (500)            |
| <u>(750)</u>                 | <b>Net cash inflow from Dividends</b>                   |       | <u>(500)</u>     |
|                              | <b>Returns on Investments and Servicing of Finance</b>  |       |                  |
| 15,621                       | Interest Paid   |       | 14,876           |
| (2,452)                      | Interest Received                                       |       | 160              |
| <u>13,169</u>                | <b>Net cash outflow from Servicing of Finance</b>       |       | <u>15,036</u>    |
|                              | <b>Capital Activities</b>                               |       |                  |
| 25,020                       | Purchase of fixed assets                                |       | 4,628            |
| 32,687                       | Other capital cash payments                             |       | 29,256           |
| <u>57,707</u>                |   |       | <u>33,884</u>    |
| (17,871)                     | Sale of fixed assets                                    |       | (1,848)          |
| (8,171)                      | Capital grants received                                 |       | (7,943)          |
| (10,110)                     | Other capital cash receipts                             |       | (5,858)          |
| <u>(36,152)</u>              |   |       | <u>(15,649)</u>  |
| <u>21,555</u>                | <b>Net cash outflow from Capital Activities</b>         |       | <u>18,235</u>    |
|                              | <b>Acquisitions and Disposals</b>                       |       |                  |
| 895                          | Investments in Associates or Joint Ventures             |       | -                |
| <u>895</u>                   | <b>Net cash outflow from Acquisitions and Disposals</b> |       | <u>0</u>         |
| <u>42,597</u>                | <b>Net cash outflow before Financing</b>                |       | <u>53,638</u>    |
|                              | <b>Management of Liquid Resources</b>                   |       |                  |
| (31,458)                     | Movement in Short Term Deposits                         | 49    | (8,705)          |
| (32,792)                     | Non Domestic Rates Receipts                             | 49    | (36,958)         |
| <u>(64,250)</u>              |   |       | <u>(45,663)</u>  |
|                              | <b>Financing</b>  |       |                  |
| 22,288                       | Repayments of amounts borrowed                          | 50    | 9,358            |
| -                            | New loans raised  | 50    | (13,780)         |
| <u>22,288</u>                | <b>Net cash (inflow)/outflow from Financing</b>         |       | <u>(4,422)</u>   |
| <u>635</u>                   | <b>Net Decrease In Cash</b>                             |       | <u>3,553</u>     |

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. Restatement of Prior Year Figures

The following table outlines all prior year restated figures. The main changes relate to a major restructuring of Council Services during 2009/10, together with the impact of PFI/PPP assets, which now require inclusion within the Council's Balance Sheet.

|  | Original<br>Totals<br>£'000 | Service<br>Restructure<br>£'000 | PFI/PPP<br>Entries<br>£'000 | Interest<br>Adjs<br>£'000 | NDRI<br>Accruals<br>£'000 | Restated<br>Totals<br>£'000 |
|--|-----------------------------|---------------------------------|-----------------------------|---------------------------|---------------------------|-----------------------------|
| <b><u>Income &amp; Expenditure Account</u></b> |                             |                                 |                             |                           |                           |                             |
| <b>Old Services</b>                            |                             |                                 |                             |                           |                           |                             |
| Childrens Services                             | 97,860                      | (97,860)                        |                             |                           |                           | 0                           |
| Community Services                             | 45,506                      | (45,506)                        |                             |                           |                           | 0                           |
| Environment Services                           | 34,019                      | (34,019)                        |                             |                           |                           | 0                           |
| Corporate Services                             | 1,807                       | (1,807)                         |                             |                           |                           | 0                           |
| <b>New Services</b>                            |                             |                                 |                             |                           |                           |                             |
| Assets, Property & FM                          | 0                           | 579                             |                             |                           |                           | 579                         |
| Chief Executive Office                         | 0                           | 117                             |                             |                           |                           | 117                         |
| Communities & Culture                          | 0                           | 7,968                           |                             |                           |                           | 7,968                       |
| Education                                      | 0                           | 90,696                          | (4,652)                     |                           |                           | 86,044                      |
| Economy, Employment & Youth                    | 0                           | 7,368                           |                             |                           |                           | 7,368                       |
| Finance & Procurement                          | 0                           | 1,245                           |                             |                           |                           | 1,245                       |
| Governance                                     | 0                           | 276                             |                             |                           |                           | 276                         |
| Housing  | 0                           | 2,193                           |                             |                           |                           | 2,193                       |
| Improvement & Customer Service                 | 0                           | 83                              |                             |                           |                           | 83                          |
| Planning, Regulation & Waste                   | 0                           | 12,677                          |                             |                           |                           | 12,677                      |
| Roads, Transport & Open Space                  | 0                           | 15,654                          |                             |                           |                           | 15,654                      |
| Social Care                                    | 0                           | 40,250                          |                             |                           |                           | 40,250                      |
| Other Services                                 | 1,366                       | 86                              |                             | 72                        |                           | 1,524                       |
| <b>Interest payable and similar charges</b>    | <b>10,129</b>               |                                 | <b>5,564</b>                | <b>(72)</b>               |                           | <b>15,621</b>               |
|  | <b>190,687</b>              | <b>0</b>                        | <b>912</b>                  | <b>0</b>                  | <b>0</b>                  | <b>191,599</b>              |

### **Statement of Movement in General Fund Balances**

|                                       |                |          |              |          |          |                |
|---------------------------------------|----------------|----------|--------------|----------|----------|----------------|
| Depreciation of fixed assets          | (12,701)       |          | (2,283)      |          |          | (14,984)       |
| PPP Finance Lease Creditor Repayments | 0              |          | 1,616        |          |          | 1,616          |
| PPP UK GAAP Adjustments               | 0              |          | (245)        |          |          | (245)          |
| Capital expenditure charged in-year   | 6,239          |          |              |          |          | 6,239          |
|                                       | <b>(6,462)</b> | <b>0</b> | <b>(912)</b> | <b>0</b> | <b>0</b> | <b>(7,374)</b> |

### **Balance Sheet**

|                            |                |          |          |          |          |                |
|----------------------------|----------------|----------|----------|----------|----------|----------------|
| Council Houses             | 193,307        |          |          |          |          | 193,307        |
| Land & Buildings           | 262,257        |          | 158,115  |          |          | 420,372        |
| Long-Term Debtors          | 47,781         |          | (37,669) |          |          | 10,112         |
| Debtors & Prepayments      | 15,822         |          | (1,362)  | (19)     | (91)     | 14,350         |
| Investments                | 12,817         |          |          | 19       |          | 12,836         |
| Borrowing Within 12 Months | (283)          |          |          | (1,474)  |          | (1,757)        |
| Creditors                  | (28,719)       |          |          | 1,474    | 91       | (27,154)       |
| Finance Lease Liability    | 0              |          | (77,207) |          |          | (77,207)       |
| Revaluation Reserve        | (139,344)      |          | (45,161) |          |          | (184,505)      |
| Capital Adjustment Account | (252,417)      |          | 3,284    |          |          | (249,133)      |
|                            | <b>111,221</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>111,221</b> |

## 2. Post Balance Sheet Event

The Chancellor of the Exchequer announced in his Emergency Budget on 22nd June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6 to 8%.

## Notes to the Income and Expenditure Account

### 3. 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:

| 2008/09      |  | 2009/10       |                |               |
|--------------|--|---------------|----------------|---------------|
| Restated     |  | Gross         | Gross          | Net           |
| Net Exp      |  | Expenditure   | Income         | Expenditure   |
| £'000        |  | £'000         | £'000          | £'000         |
| 140          | Equal Pay Corporate/Admin/Legal Costs              | 240           | -              | 240           |
| 533          | Net (surplus)/deficit on Internal Trading Services | 261           | (21)           | 240           |
| 329          | Modernising Government / Customer First            | 739           | 5              | 744           |
| 40           | Safety Camera Partnership                          | 74            | (76)           | (2)           |
| 226          | Net (surplus)/deficit on Insurance Account         | 382           | -              | 382           |
| 156          | Unapportionable Central Overheads                  | 154           | -              | 154           |
| 94           | Non Domestic Rates - Discretionary Relief          | 103           | -              | 103           |
| 29           | Geographical Information Services                  | 106           | -              | 106           |
| 28           | Depreciation on Surplus Properties                 | 21            | -              | 21            |
| -            | Land Compensation Provision                        | 100           | -              | 100           |
| 11           | Bad Debt Provision                                 | (4)           | -              | (4)           |
| -            | CCTV Operations                                    | 171           | (171)          | 0             |
| (21)         | Other Unapportionable Pension Adjustments          | (682)         | (192)          | (874)         |
| -            | CSBP (Invs) Ltd - Loan Adj & Admin Fees            | 285           | (80)           | 205           |
| -            | HMRC VAT Recovery                                  | -             | (153)          | (153)         |
| -            | Earlsburn Windfarm Deposit                         | -             | (300)          | (300)         |
| (41)         | Unapportionable Deferred Government Grants         | -             | -              | 0             |
| <b>1,524</b> | <b>Other Services</b>                              | <b>1,950</b>  | <b>(988)</b>   | <b>962</b>    |
| 2,030        | Democratic Representation & Management             | 1,651         | (195)          | 1,456         |
| 1,225        | Corporate Management                               | 1,754         | -              | 1,754         |
| 146          | HRA Share of Corporate & Democratic Core           | 194           | (55)           | 139           |
| <b>3,401</b> | <b>Corporate &amp; Democratic Core</b>             | <b>3,599</b>  | <b>(250)</b>   | <b>3,349</b>  |
| 353          | Pensions - Past Service Costs                      | 3,145         | -              | 3,145         |
| 590          | Pensions - Settlements and Curtailments            | 8,246         | -              | 8,246         |
| <b>943</b>   | <b>Non Distributed Costs</b>                       | <b>11,391</b> | <b>0</b>       | <b>11,391</b> |
| 829          | Local Tax Collection                               | 1,190         | (677)          | 513           |
| 100          | District Court                                     | 10            | (8)            | 2             |
| 83           | Registration of Births, Deaths & Marriages         | 237           | (155)          | 82            |
| 26           | Elections  | 255           | (111)          | 144           |
| 115          | Emergency Planning                                 | 135           | -              | 135           |
| <b>1,153</b> | <b>Central Services To Public</b>                  | <b>1,827</b>  | <b>(951)</b>   | <b>876</b>    |
| 928          | Central Scotland Valuation Joint Board             | 955           | -              | 955           |
| 162          | Severance Costs                                    | 2,904         | -              | 2,904         |
| <b>1,090</b> | <b>Other Operating Income and Expenditure</b>      | <b>3,859</b>  | <b>0</b>       | <b>3,859</b>  |
| <b>8,111</b> | <b>Central Services</b>                            | <b>22,626</b> | <b>(2,189)</b> | <b>20,437</b> |

| 2008/09                      |  | 2009/10                       |                          |                             |
|------------------------------|--|-------------------------------|--------------------------|-----------------------------|
| Restated<br>Net Exp<br>£'000 |  | Gross<br>Expenditure<br>£'000 | Gross<br>Income<br>£'000 | Net<br>Expenditure<br>£'000 |
| <b>8,765</b>                 | <b>Police Services</b>                       | <b>9,662</b>                  | <b>(653)</b>             | <b>9,009</b>                |
| <b>5,126</b>                 | <b>Fire Services</b>                         | <b>5,410</b>                  | <b>-</b>                 | <b>5,410</b>                |
| 1,570                        | Cultural & Heritage                          | 2,636                         | (815)                    | 1,821                       |
| 1,916                        | Library Service                              | 2,665                         | (118)                    | 2,547                       |
| 6,611                        | Recreation and Sport                         | 10,174                        | (561)                    | 9,613                       |
| 393                          | Tourism                                      | 917                           | (388)                    | 529                         |
| <b>10,490</b>                | <b>Cultural &amp; Related Services</b>       | <b>16,392</b>                 | <b>(1,882)</b>           | <b>14,510</b>               |
| 16,103                       | Centrally Held Funding                       | 15,379                        | (1,741)                  | 13,638                      |
| 67,547                       | Individual School Budgets                    | 73,426                        | (1,980)                  | 71,446                      |
| 2,026                        | Non School Funding                           | 2,464                         | (1,046)                  | 1,418                       |
| <b>85,676</b>                | <b>Education Services</b>                    | <b>91,269</b>                 | <b>(4,767)</b>           | <b>86,502</b>               |
| 326                          | Burial Services                              | 815                           | (304)                    | 511                         |
| 3,384                        | Environmental Health                         | 4,068                         | (333)                    | 3,735                       |
| 389                          | Trading Standards                            | 435                           | (34)                     | 401                         |
| 3,070                        | Waste Disposal                               | 3,269                         | (3,516)                  | (247)                       |
| 7,206                        | Waste Collection                             | 9,155                         | (1,273)                  | 7,882                       |
| <b>14,375</b>                | <b>Environmental Services</b>                | <b>17,742</b>                 | <b>(5,460)</b>           | <b>12,282</b>               |
| 1,948                        | Housing Strategy                             | 2,311                         | (132)                    | 2,179                       |
| 405                          | Housing Benefit Administration               | 359                           | (324)                    | 35                          |
| 918                          | Homelessness                                 | 5,086                         | (3,751)                  | 1,335                       |
| (11)                         | Other Council Property                       | 1,198                         | (1,148)                  | 50                          |
| (125)                        | Private Sector Housing                       | 1,392                         | (1,254)                  | 138                         |
| 185                          | Supporting People                            | 181                           | -                        | 181                         |
| <b>3,320</b>                 | <b>Housing Services (General Fund)</b>       | <b>10,527</b>                 | <b>(6,609)</b>           | <b>3,918</b>                |
| <b>15,151</b>                | <b>Housing Revenue Account</b>               | <b>11,932</b>                 | <b>(16,103)</b>          | <b>(4,171)</b>              |
| 426                          | Network and Traffic Management               | 473                           | (130)                    | 343                         |
| (289)                        | Parking Services (On/Off Street Car Parking) | 2,140                         | (2,190)                  | (50)                        |
| 1,911                        | Public Transport                             | 2,421                         | (920)                    | 1,501                       |
| 9,456                        | Highways And Roads Maintenance               | 12,486                        | (3,961)                  | 8,525                       |
| 1,175                        | Transport Planning Policy and Strategy       | 1,581                         | (676)                    | 905                         |
| <b>12,679</b>                | <b>Roads &amp; Transport Services</b>        | <b>19,101</b>                 | <b>(7,877)</b>           | <b>11,224</b>               |
| 12                           | Building Control                             | 628                           | (598)                    | 30                          |
| (32)                         | Development Control                          | 380                           | (277)                    | 103                         |
| 2,238                        | Economic Development                         | (1,655)                       | (834)                    | (2,489)                     |
| 338                          | Planning Policy                              | 760                           | (598)                    | 162                         |
| <b>2,556</b>                 | <b>Planning And Development Services</b>     | <b>113</b>                    | <b>(2,307)</b>           | <b>(2,194)</b>              |

| <b>2008/09</b>  |  | <b>2009/10</b>     |                 |                    |
|-----------------|--|--------------------|-----------------|--------------------|
| <b>Restated</b> |  | <b>Gross</b>       | <b>Gross</b>    | <b>Net</b>         |
| <b>Net Exp</b>  |  | <b>Expenditure</b> | <b>Income</b>   | <b>Expenditure</b> |
| <b>£'000</b>    |  | <b>£'000</b>       | <b>£'000</b>    | <b>£'000</b>       |
| 10,245          | Children and Families                        | 11,508             | (1,487)         | 10,021             |
| 39              | Criminal Justice                             | 2,040              | (2,062)         | (22)               |
| 360             | Adults with Addiction and Substance Abuse    | 448                | (83)            | 365                |
| 20,419          | Older Persons                                | 26,079             | (5,202)         | 20,877             |
| 7,208           | Adults with Learning Disabilities            | 8,777              | (1,535)         | 7,242              |
| 1,766           | Adults with Mental Health Needs              | 2,568              | (749)           | 1,819              |
| 3,212           | Adults with Physical or Sensory Disabilities | 3,984              | (783)           | 3,201              |
| 794             | Service Strategy                             | 816                | (48)            | 768                |
| <b>44,043</b>   | <b>Social Work</b>                           | <b>56,220</b>      | <b>(11,949)</b> | <b>44,271</b>      |
| <b>210,292</b>  | <b>Net Cost of Services</b>                  | <b>260,994</b>     | <b>(59,796)</b> | <b>201,198</b>     |

#### 4. Agency Income and Expenditure

The Council undertakes certain functions in an agency capacity on behalf of other organisations, the most significant function being the billing and collection of domestic water and waste water charges on behalf of Scottish Water along with the Council's own Council Tax. For 2009/10, the Council received £0.232m for providing this service (2008/09 £0.234m). Other agency income of £0.048m received during the year related to new roads and streets works (2008/09 £0.044m).

#### 5. Audit Costs

In 2009/10, the Council paid a fee of £0.283m in relation to external audit work undertaken in line with the Code of Practice approved by the Accounts Commission (2008/09 £0.264m).

#### 6. 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 Head of Governance who maintains the Register has indicated that there is nothing material to disclose.

For 2009/10 the following represents material expenditure transactions with other related parties not separately disclosed elsewhere within the Statement of Accounts.

| <b>2008/09</b> |                          | <b>2009/10</b> |
|----------------|--------------------------|----------------|
| <b>£'000</b>   |                          | <b>£'000</b>   |
| 1,526          | Forth Valley NHS         | 1,131          |
| 335            | Clackmannanshire Council | 195            |
| 3,418          | Falkirk Council          | 3,186          |
| <b>5,279</b>   |                          | <b>4,512</b>   |

#### 7. Finance Leases

The introduction of new accounting requirements under IFRS to bring PFI/PPP assets back onto the Council's Balance Sheet require disclosure of obligations under finance leases in respect of such assets. During 2009/10, finance lease payments of £1.612m were made in respect of the Balfour Beatty PFI and Schools PPP contracts (2008/09 £1.616m). There were no other finance lease payments or rentals receivable.

## 8. Operating Leases

The Council has a number of operational lease arrangements in respect of property, vehicles, plant and machinery. Actual lease costs of £1.234m have been charged to the appropriate Revenue Account (2008/09 £1.244m) and future payment obligations are detailed below:

| Actual Lease Payments<br>2008/09<br>£'000 |                             | Actual Lease Payments<br>2009/10<br>£'000 | Committed Lease Payments<br>2010/11<br>£'000 | 2010/11 Committed Lease Payments<br>Analysed Between: |   |  |
|---|-----------------------------|---|--|---|---|--|
|   |                             |   |  | Leases Expiring During<br>2010/11<br>£'000            | Leases Expiring Between<br>2011/12 & 2013/14<br>£'000 | Leases Expiring From<br>2014/15 Onwards<br>£'000 |
|   |                             |   |  | 1,114   | Property  | 1,178  |
| 130                                       | Vehicles, Plant & Machinery | 56  | 46   | 42  | 4   | -  |
| <b>1,244</b>                              |                             | <b>1,234</b>                              | <b>1,198</b>                                 | <b>89</b>   | <b>549</b>  | <b>560</b>                                       |

Operating lease property rentals receivable by the Council during 2009/10 amounted to £1.184m (2008/09 £1.161m).

Lease Assets Held: Note 25, Page 32

## 9. Members' Allowances

During 2009/10, total salaries paid to Elected Members of the Council were £0.417m (2008/09 £0.403m) of which £0.008m related to Joint Board duties (2008/09 £0.006m). In addition, total expenses paid to Elected Members of the Council during 2009/10 were £0.025m (2008/09 £0.033m).

## 10. Officers' Remuneration

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

| 2008/09 Restated                 |                |             | Remuneration band   | 2009/10                          |                |             |
|----------------------------------|----------------|-------------|---------------------|----------------------------------|----------------|-------------|
| Non Teaching & Educational Staff | Teaching Staff | Total Staff |                     | Non Teaching & Educational Staff | Teaching Staff | Total Staff |
| 11                               | 24             | 35          | £50,000 - £59,999   | 21                               | 24             | 45          |
| 13                               | 7              | 20          | £60,000 - £69,999   | 10                               | 7              | 17          |
| 3                                | -              | 3           | £70,000 - £79,999   | 5                                | -              | 5           |
| 3                                | -              | 3           | £80,000 - £89,999   | 2                                | -              | 2           |
| 3                                | -              | 3           | £90,000 - £99,999   | 2                                | -              | 2           |
| 1                                | -              | 1           | £100,000 - £109,999 | 1                                | -              | 1           |
| <b>34</b>                        | <b>31</b>      | <b>65</b>   |                     | <b>41</b>                        | <b>31</b>      | <b>72</b>   |



## Notes to the Statement of Movement on the General Fund Balance

### 11. Explanation of the significance of the Statement of Movement on the General Fund Balance

| 2008/09<br>Restated<br>£'000 |   | 2009/10<br>£'000 |
|------------------------------|---|------------------|
|                              | <b>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</b>     |                  |
| (14,984)                     | Depreciation of fixed assets  | (17,693)         |
| (23,974)                     | Impairment of fixed assets  | 3,175            |
| 2,634                        | Government Grants Deferred/Capital Contributions Amortisation   | 3,309            |
| (7,896)                      | Net loss on sale of fixed assets  | (323)            |
| (10,387)                     | Net charges made for retirement benefits in accordance with FRS17   | (23,796)         |
| <b>(54,607)</b>              |   | <b>(35,328)</b>  |
|                              | <b>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</b> |                  |
| 8,993                        | Loans Fund principal repayments   | 8,041            |
| 1,616                        | PFI/PPP Finance Lease Creditor Repayments   | 1,612            |
| (245)                        | PPP UK GAAP Adjustments   | -                |
| 6,239                        | Capital expenditure charged in-year to the General Fund Balance   | 5,568            |
| 80                           | Amortisation of Premiums and Discounts  | 80               |
| 11,173                       | Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners  | 13,075           |
| <b>27,856</b>                |   | <b>28,376</b>    |
|                              | <b>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</b>          |                  |
| -                            | Transfer to Repairs & Renewals Reserve  | 141              |
| (151)                        | Transfer from Insurance Reserve   | (373)            |
| <b>(151)</b>                 |   | <b>(232)</b>     |
| <b>(26,902)</b>              | <b>Net additional amount required to be credited to the General Fund balance for the year</b>   | <b>(7,184)</b>   |

## Notes to the Balance Sheet

### 12. Movement in Fixed Assets – By Class of Asset

#### Operational Assets

|                                       | <b>Council<br/>Houses<br/>£'000</b> | <b>Other Land<br/>&amp; Buildings<br/>£'000</b> | <b>Vehicles, Plant<br/>&amp; Equipment<br/>£'000</b> | <b>Infrastructure<br/>Assets<br/>£'000</b> | <b>Community<br/>Assets<br/>£'000</b> |
|---------------------------------------|-------------------------------------|---|--|--|---------------------------------------|
| Gross Book Value 31st March 2009      | 211,689                             | 449,680   | 24,624   | 70,840                                     | 4,268                                 |
| Accumulated Depreciation              | (18,382)                            | (29,308)  | (14,300)   | (15,718)                                   | (149)                                 |
| <b>Net Book Value 31st March 2009</b> | <b>193,307</b>                      | <b>420,372</b>                                  | <b>10,324</b>  | <b>55,122</b>                              | <b>4,119</b>                          |
| <b>Movements in 2009/10</b>           |                                     |   |  |  |                                       |
| Additions                             | 8,549                               | 8,933   | 3,122  | 9,646                                      | 321                                   |
| Disposals                             | (1,233)                             | (5,821)   | (613)  |  |                                       |
| Revaluations                          | 533                                 | 26,046  |  |  |                                       |
| Reclassifications                     | (3,607)                             | 9,145   |  | 7,501                                      | 322                                   |
| Impairments                           | (36)                                | (805)   | (52)   |  |                                       |
| Reversal of Previous Impairments      |                                     | 4,889   |  |  |                                       |
| Depreciation - Charged In Year        | (1,626)                             | (9,063)   | (3,723)  | (2,870)                                    | (259)                                 |
| Depreciation - Disposals              | 104                                 | 5,384   | 502  |  |                                       |
| <b>Net Book Value 31st March 2010</b> | <b>195,991</b>                      | <b>459,080</b>                                  | <b>9,560</b>   | <b>69,399</b>                              | <b>4,503</b>                          |

#### Non-Operational & Intangible Assets

|                                       | <b>Investment<br/>Properties<br/>£'000</b> | <b>Assets under<br/>Construction<br/>£'000</b> | <b>Surplus<br/>Assets<br/>£'000</b> | <b>Software<br/>£'000</b> | <b>GRAND<br/>TOTAL<br/>£'000</b> |
|---------------------------------------|--|--|-------------------------------------|---------------------------|----------------------------------|
| Gross Book Value 31st March 2009      | 12,685                                     | 16,225   | 2,323                               | 407                       | 792,741                          |
| Accumulated Depreciation              | 0  | 0  | (231)                               | (84)                      | (78,172)                         |
| <b>Net Book Value 31st March 2009</b> | <b>12,685</b>                              | <b>16,225</b>                                  | <b>2,092</b>                        | <b>323</b>                | <b>714,569</b>                   |
| <b>Movements in 2009/10</b>           |  |  |                                     |                           |                                  |
| Additions                             |  | 2,216  |                                     | 255                       | 33,042                           |
| Disposals                             | (350)                                      |  |                                     |                           | (8,017)                          |
| Revaluations                          |  |  | (2,124)                             |                           | 24,455                           |
| Reclassifications                     | (5,420)                                    | (10,772)                                       | 2,831                               |                           | 0                                |
| Impairments                           | (69)                                       |  | (895)                               |                           | (1,857)                          |
| Reversal of Previous Impairments      |  |  | 143                                 |                           | 5,032                            |
| Depreciation - Charged In Year        |  |  | (20)                                | (132)                     | (17,693)                         |
| Depreciation - Disposals              |  |  |                                     |                           | 5,990                            |
| <b>Net Book Value 31st March 2010</b> | <b>6,846</b>                               | <b>7,669</b>                                   | <b>2,027</b>                        | <b>446</b>                | <b>755,521</b>                   |

### 13. Movement in Fixed Assets – By Account

|  | <b>General<br/>Services<br/>£'000</b> | <b>Housing<br/>Revenue A/c<br/>£'000</b> | <b>Significant<br/>Trading Ops<br/>£'000</b> | <b>TOTAL<br/>£'000</b> |
|--|---------------------------------------|--|--|------------------------|
| Gross Book Value at 31st March 2009      | 554,555                               | 232,957                                  | 5,229  | 792,741                |
| Accumulated Depreciation                 | (56,135)                              | (19,507)                                 | (2,530)                                      | (78,172)               |
| <b>Net Book Value at 31st March 2009</b> | <b>498,420</b>                        | <b>213,450</b>                           | <b>2,699</b>                                 | <b>714,569</b>         |
| <br>                                     |                                       |  |  |                        |
| Gross Book Value at 31st March 2010      | 603,910                               | 236,256                                  | 5,230  | 845,396                |
| Accumulated Depreciation                 | (65,316)                              | (21,257)                                 | (3,302)                                      | (89,875)               |
| <b>Net Book Value at 31st March 2010</b> | <b>538,594</b>                        | <b>214,999</b>                           | <b>1,928</b>                                 | <b>755,521</b>         |

## 14. Nature of Asset Holding

As at 31<sup>st</sup> March 2010, the Council owned fixed assets totalling £599.877m. In addition, Schools PFI/PPP assets of £155.644m were also included in the Council's balance sheet as at that date.

|                               | <b>£'000</b>          |
|-------------------------------|-----------------------|
| Software                      | 446                   |
| Council Houses                | 195,991               |
| Other Land & Buildings        | 303,436               |
| Vehicles, Plant & Equipment   | 9,560                 |
| Infrastructure Assets         | 69,399                |
| Community Assets              | 4,503                 |
| Investment Properties         | 6,846                 |
| Assets Under Construction     | 7,669                 |
| Surplus Assets                | <u>2,027</u>          |
| <b>Council - Owned Assets</b> | <b><u>599,877</u></b> |
| Schools PFI/PPP Assets        | <u>155,644</u>        |
| <b>Total Fixed Assets</b>     | <b><u>755,521</u></b> |

## 15. Information on Assets Held

The following statement shows the number of Fixed Assets held by the Council

|   | <b>Assets as at</b> |                | <b>Assets as at</b> |                |
|---|---------------------|----------------|---------------------|----------------|
|   | <b>31/3/09</b>      | <b>31/3/10</b> | <b>31/3/09</b>      | <b>31/3/10</b> |
| <b>Operational Buildings</b>            |                     |                |                     |                |
| Art and Entertainment Venues            | 2                   | 2              |                     |                |
| Bing Sites                              | 3                   | 3              |                     |                |
| Car Parks                               | 42                  | 45             |                     |                |
| Community Centres / Halls               | 32                  | 31             |                     |                |
| Council Offices                         | 30                  | 30             |                     |                |
| Day Care Centres                        | 1                   | 1              |                     |                |
| Depots                                  | 7                   | 8              |                     |                |
| Garages                                 | 770                 | 770            |                     |                |
| Governors/substations                   | 16                  | 16             |                     |                |
| Hostels                                 | 7                   | 7              |                     |                |
| Industrial Premises                     | 13                  | 13             |                     |                |
| Libraries                               | 17                  | 17             |                     |                |
| Nursery Schools                         | 12                  | 12             |                     |                |
| Young Persons Residential Accommodation | 2                   | 2              |                     |                |
| Other Land & Buildings                  | 113                 | 112            |                     |                |
| Other Properties                        | 6                   | 6              |                     |                |
| Primary Schools                         | 41                  | 41             |                     |                |
| Public Conveniences                     | 27                  | 27             |                     |                |
| Residential Care Homes for the Elderly  | 5                   | 5              |                     |                |
| School Houses                           | 6                   | 5              |                     |                |
| Secondary Schools                       | 1                   | 1              |                     |                |
| Secondary Schools - PFI / PPP assets    | 6                   | 6              |                     |                |
| Shops                                   | 39                  | 39             |                     |                |
| Special Education Properties            | 1                   | 1              |                     |                |
| Specialist Residential Accommodation    | 3                   | 2              |                     |                |
| Sports Clubs/Facilities                 | 29                  | 29             |                     |                |
| Tourism                                 | 5                   | 5              |                     |                |
| <b>Infrastructure Assets</b>            |                     |                |                     |                |
| Bridges                                 |                     |                | 21                  | 22             |
| Cycle Routes                            |                     |                | 8                   | 8              |
| Highways                                |                     |                | 10                  | 10             |
| Lighting                                |                     |                | 12                  | 12             |
| Memorials/Street Furniture              |                     |                | 51                  | 51             |
| Roads                                   |                     |                | 44                  | 49             |
| Transport Facilities/Park & Ride        |                     |                | 2                   | 4              |
| <b>Community Assets</b>                 |                     |                |                     |                |
| Cemeteries/ Churchyards                 |                     |                | 60                  | 60             |
| Hard Pitches                            |                     |                | 241                 | 241            |
| Soft Pitches                            |                     |                | 246                 | 246            |
| Parks, Open Spaces and Play Areas       |                     |                | 203                 | 203            |

## 16. Summary of Capital Expenditure and Receipts – By Class of Asset

|                            | Software<br>Licences<br>£'000 | Council<br>Houses<br>£'000 | Other Land<br>& Buildings<br>£'000 | Vehicles, Plant<br>& Equipment<br>£'000 | Infrastructure<br>Assets<br>£'000 |
|----------------------------|-------------------------------|----------------------------|------------------------------------|---|-----------------------------------|
| <b>Year Ending 31/3/09</b> |                               |                            |                                    |   |                                   |
| Capital Expenditure        | 202                           | 5,433                      | 34,267                             | 4,137                                   | 7,769                             |
| Capital Receipts           | (10)                          | (5,968)                    | (22,766)                           | (2,063)                                 | (3,738)                           |
| <b>Loans Fund Advance</b>  | <b>192</b>                    | <b>(535)</b>               | <b>11,501</b>                      | <b>2,074</b>                            | <b>4,031</b>                      |

|                            |            |              |              |              |              |
|----------------------------|------------|--------------|--------------|--------------|--------------|
| <b>Year Ending 31/3/10</b> |            |              |              |              |              |
| Capital Expenditure        | 255        | 8,548        | 8,933        | 3,123        | 9,646        |
| Capital Receipts           | (75)       | (6,595)      | (3,442)      | (1,113)      | (3,100)      |
| <b>Loans Fund Advance</b>  | <b>180</b> | <b>1,953</b> | <b>5,491</b> | <b>2,010</b> | <b>6,546</b> |

|                            | Community<br>Assets<br>£'000 | Non-<br>Operational<br>Assets<br>£'000 | Other<br>Capital<br>Exp<br>£'000 | TOTAL<br>£'000 |
|----------------------------|------------------------------|--|----------------------------------|----------------|
| <b>Year Ending 31/3/09</b> |                              |  |                                  |                |
| Capital Expenditure        | 0                            | 4,815                                  | 916                              | 57,539         |
| Capital Receipts           | 0                            | (713)                                  | (895)                            | (36,153)       |
| <b>Loans Fund Advance</b>  | <b>0</b>                     | <b>4,102</b>                           | <b>21</b>                        | <b>21,386</b>  |

|                            |           |              |            |               |
|----------------------------|-----------|--------------|------------|---------------|
| <b>Year Ending 31/3/10</b> |           |              |            |               |
| Capital Expenditure        | 320       | 2,217        | 427        | 33,469        |
| Capital Receipts           | (255)     | (1,068)      | 0          | (15,648)      |
| <b>Loans Fund Advance</b>  | <b>65</b> | <b>1,149</b> | <b>427</b> | <b>17,821</b> |

Other capital expenditure includes expenditure on house loans and Central Scotland Police.  
Capital Receipts include asset sales, grants & contributions and funding from revenue (CFCR).

## 17. Gross Capital Expenditure

Gross capital expenditure for the year was financed from the following sources:

|               | 2008/09<br>£'000               | 2009/10 |               |
|---------------|--------------------------------|---------|---------------|
|               |                                | £'000   | £'000         |
| 21,386        | Advances from Loans Fund       |         | 17,821        |
|               | Capital Income:                |         |               |
| 2,363         | Sale of Assets - House Sales   | 1,313   |               |
| 15,508        | Sale of Assets - Other Sales   | 535     | 1,848         |
| 8,171         | Capital Grants                 |         | 7,943         |
| 3,403         | Capital Contributions Deferred | 249     |               |
| -             | Other Capital Receipts         | 40      |               |
| 469           | ERDF Contributions             | -       | 289           |
| 1,506         | CFCR - General Services        | 1,359   |               |
| 4,733         | CFCR - Housing Revenue Account | 4,209   | 5,568         |
| <b>57,539</b> |                                |         | <b>33,469</b> |

## 18. Schools PFI / PPP

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. The Council made annual payments under the Balfroon High School PFI agreement to Jarvis Accommodation Services Ltd who operated the school on behalf of the Council. Jarvis plc, the parent company of Jarvis Accommodation Services, entered administration at the end of March 2010. The administrator quickly approached the Council regarding an offer from a new company, SGP Limited, to take over both the PFI contract and the facilities management (FM) sub contract. The Council meeting scheduled for 7<sup>th</sup> October 2010 will receive a report seeking approval to conclude the novation of the Balfroon Schools PFI contract and the associated FM sub contract to SGP Limited.

The Unitary Charge payments made by Children's Services in 2009/10 totalled £2.56m (£2.49m, 2008/09). The Council also receives £1.59m per annum of Level Playing Field support grant from the Scottish Executive as part funding for the project. This sum is reflected in the 'General Government Grants' figure within the Income and Expenditure Account.

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 was completed by August 2008.

The Council makes annual payments under the Stirling Schools PPP agreement to Stirling Gateway Ltd who operate the PPP schools on behalf of the Council. The Unitary Charge payments made by Children's Services in 2009/10 totalled £9.20m (£8.39m, 2008/09). The Council also received £4.4m (2008/09, £4m) of support grant from the Scottish Executive as part funding for the project. This sum is reflected in the 'General Government Grants' figure within the Income and Expenditure Account.

Prior to 2009/10, the Council's PFI/PPP accounting arrangements were conducted in accordance with FRS5 Application Note F: Private Finance Initiative and similar contracts. PFI/PPP schemes were typically assessed on a transfer of risk and rewards approach in determining whether assets should come onto an entity's balance sheet. Under this approach, such assets were usually assessed to be off the local authority's balance sheet, and this was the case with Stirling Council. It was deemed that the Council did not have an asset of the properties, and accordingly these assets were not held on the Council's Balance Sheet.

Ownership of the schools was due to pass to the Council when the Balfroon and Stirling Schools contracts terminated in 2026 and 2039 respectively. The entire Unitary Charge payments were charged to Service revenue accounts, with the estimated residual values of the school assets being accumulated over the contract term and reflected in the accounts as long-term debtors. On the handing over of the school assets to the Council at the end of the respective contract periods, the long-term debtors would convert to fixed assets in the Balance Sheet.

From 1<sup>st</sup> April 2009, the method of accounting for PFI/PPP schemes has changed. The Council now has to account for PFI/PPP transactions in accordance with International Financial Reporting Standards. IFRIC12 Service Concessions is the particular standard interpretation applicable to PFI/PPP transactions. IFRIC12 takes a fundamentally different approach to the previous accounting method by looking at aspects of control of an asset. Where it is considered that the local authority has control of the asset, then it should appear on the local authority's balance sheet. Examples of control include specifying the services to be provided from a particular asset, and regulating the price paid for the services. As a result, it is deemed that the Council does exert the necessary control aspects and accordingly the schools assets have been added to the Council's balance sheet for 2009/10, with the comparative 2008/09 figures having also been restated for these accounting changes.

The value of assets held by the Council under the Balfroon PFI and Schools PPP contracts are as follows:

|   | <b>Balfroon PFI</b> | <b>Schools PPP</b> | <b>Total</b>   |
|---|---------------------|--------------------|----------------|
|   | <b>£'000</b>        | <b>£'000</b>       | <b>£'000</b>   |
| <b><u>Fixed Assets</u></b>                  |                     |                    |                |
| <b>Net Book Value as at 1st April 2008</b>  | <b>11,852</b>       | <b>73,627</b>      | <b>85,479</b>  |
| Schools Buildings Additions                 | 0                   | 28,258             | 28,258         |
| Schools Buildings Revaluations              | 11,161              | 0                  | 11,161         |
| Schools Land Additions                      | 0                   | 1,500              | 1,500          |
| Schools Land Revaluations                   | 0                   | 34,000             | 34,000         |
| Depreciation Charge                         | (456)               | (1,827)            | (2,283)        |
| <b>Net Book Value as at 31st March 2009</b> | <b>22,557</b>       | <b>135,558</b>     | <b>158,115</b> |
| Depreciation Charge                         | (456)               | (2,015)            | (2,471)        |
| <b>Net Book Value as at 31st March 2010</b> | <b>22,101</b>       | <b>133,543</b>     | <b>155,644</b> |

The value of liabilities relating to the Balforn PFI and Schools PPP contracts are as follows:

|  | <b>Balforn PFI</b> | <b>Schools PPP</b> | <b>Total</b>    |
|--|--------------------|--------------------|-----------------|
|  | <b>£'000</b>       | <b>£'000</b>       | <b>£'000</b>    |
| <b>Finance Lease Liability</b>               |                    |                    |                 |
| <b>Opening Balance as at 1st April 2008</b>  | <b>(10,290)</b>    | <b>(52,117)</b>    | <b>(62,407)</b> |
| Schools PPP Additions                        | 0                  | (28,258)           | (28,258)        |
| Long Term Debtor Write-down                  | 0                  | 11,842             | 11,842          |
| Finance Lease Creditor Repayment             | 390                | 1,226              | 1,616           |
| <b>Closing Balance as at 31st March 2009</b> | <b>(9,900)</b>     | <b>(67,307)</b>    | <b>(77,207)</b> |
| Finance Lease Creditor Repayment             | 339                | 1,273              | 1,612           |
| <b>Closing Balance as at 31st March 2010</b> | <b>(9,561)</b>     | <b>(66,034)</b>    | <b>(75,595)</b> |

In accordance with IFRIC 12, Unitary Charge payments made by the Council under the terms of the respective PFI/PPP contracts are split between service, interest and principal elements. Details of the payments due to be made by the Council under the respective contracts are detailed below:

|                             | <b>Within<br/>1 yr<br/>£'000</b> | <b>Within<br/>2-5yrs<br/>£'000</b> | <b>Within<br/>6-10yrs<br/>£'000</b> | <b>Within<br/>11-15yrs<br/>£'000</b> | <b>Within<br/>16-20yrs<br/>£'000</b> | <b>Within<br/>21-25yrs<br/>£'000</b> | <b>Within<br/>26-30yrs<br/>£'000</b> | <b>Totals<br/>£'000</b> |
|-----------------------------|----------------------------------|------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------|
| <b>Balforn PFI</b>          |                                  |                                    |                                     |                                      |                                      |                                      |                                      |                         |
| Service Charge              | 1,008                            | 5,108                              | 7,247                               | 7,860                                | 2,240                                | -                                    | -                                    | <b>23,463</b>           |
| Interest Charge             | 1,208                            | 4,755                              | 6,016                               | 5,962                                | 1,634                                | -                                    | -                                    | <b>19,575</b>           |
| Principal Charge            | 416                              | 1,341                              | 2,391                               | 3,889                                | 1,524                                | -                                    | -                                    | <b>9,561</b>            |
| <b>Unitary Charge</b>       | <b>2,632</b>                     | <b>11,204</b>                      | <b>15,654</b>                       | <b>17,711</b>                        | <b>5,398</b>                         | <b>0</b>                             | <b>0</b>                             | <b>52,599</b>           |
| <b>Stirling Schools PPP</b> |                                  |                                    |                                     |                                      |                                      |                                      |                                      |                         |
| Service Charge              | 3,240                            | 14,723                             | 22,052                              | 28,503                               | 39,875                               | 42,848                               | 28,905                               | <b>180,146</b>          |
| Interest Charge             | 4,847                            | 19,864                             | 25,995                              | 26,271                               | 25,153                               | 27,716                               | 30,660                               | <b>160,506</b>          |
| Principal Charge            | 1,466                            | 6,105                              | 8,834                               | 9,547                                | 7,742                                | 11,770                               | 20,570                               | <b>66,034</b>           |
| <b>Unitary Charge</b>       | <b>9,553</b>                     | <b>40,692</b>                      | <b>56,881</b>                       | <b>64,321</b>                        | <b>72,770</b>                        | <b>82,334</b>                        | <b>80,135</b>                        | <b>406,686</b>          |
| <b>Total Unitary Charge</b> | <b>12,185</b>                    | <b>51,896</b>                      | <b>72,535</b>                       | <b>82,032</b>                        | <b>78,168</b>                        | <b>82,334</b>                        | <b>80,135</b>                        | <b>459,285</b>          |

## 19. Capital Commitments

The Council's approved capital programme for 2010-11 including slippage brought forward from 2009-10, is £20.514m for General Services and £10.032m for HRA. The significant contracts that the Council has entered into as at 31<sup>st</sup> March 2010 are detailed below:

|                                     | <b>Duration</b>  | <b>Amount<br/>£000's</b> |
|-------------------------------------|------------------|--------------------------|
| <b>General Services</b>             |                  |                          |
| Bannockburn High School             | Sep-09 to Oct-10 | 3,105                    |
| Greenyards Roundabout               | Mar-10 to Aug-10 | 900                      |
| Refuse Collection Vehicles (x4)     | Jan-09 to Apr-10 | 725                      |
| Kings Park Facility                 | Apr-10 to Mar-11 | 178                      |
| New Vehicle Wash Facility           | May-10 to Mar-11 | 143                      |
| Homeless Hostel                     | Apr-09 to Jul-10 | 300                      |
|                                     |                  | <b>5,351</b>             |
| <b>Housing Services</b>             |                  |                          |
| Council Houses: central heating     | Sep-08 to Aug-11 | 1,600                    |
| Structural Works: roofs & rendering | Sep-09 to Aug-11 | 1,900                    |
| Regeneration: demolitions           | Mar-08 to Mar-11 | 200                      |
|                                     |                  | <b>3,700</b>             |
| <b>Total Services</b>               |                  | <b>9,051</b>             |

## 20. Valuation Disclosure

The freehold and leasehold properties comprising the Council's property portfolio were initially valued as at 31<sup>st</sup> 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 Existing Use Value for Social Housing. 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.

## 21. Long Term Investments

| <b>31/3/09</b>      |   | <b>31/3/10</b>      |
|---------------------|---|---------------------|
| <b>£'000</b>        |   | <b>£'000</b>        |
| 15                  | Stirling Enterprise Park                          | 15                  |
| 436                 | City of Stirling Business Parks (Investments) Ltd | 150                 |
| 4,001               | Stirling Development Agency Ltd                   | 4,001               |
| 294                 | Venture Forth Ltd                                 | 294                 |
| 176                 | SEEDCO Ltd  | 176                 |
| <b><u>4,922</u></b> |   | <b><u>4,636</u></b> |

The Council holds a loan agreement with City of Stirling Business Parks (Investments) Ltd dated 27<sup>th</sup> September 1999 for the sum of £0.286m. This sum represented advances of ERDF grants received by the Council on behalf of the company for works to be carried out by the company. The company has never recognised this sum in their audited accounts as being outstanding and repayable to the Council. Following a review of the original transaction, the Council has amended its accounting treatment and reduced the reported investment in the company to reflect the fact that the £0.286m should not have been accounted for as a loan.

## 22. Long Term Debtors

| <b>2008/09</b>       |                                       | <b>2009/10</b>      | <b>2009/10</b>    | <b>2009/10</b>      |
|----------------------|---------------------------------------|---------------------|-------------------|---------------------|
| <b>Restated</b>      |                                       | <b>Police</b>       | <b>Loans for</b>  | <b>Total</b>        |
| <b>Total</b>         |                                       | <b>Debt</b>         | <b>Housing</b>    | <b>Debtors</b>      |
| <b>£'000</b>         |                                       | <b>£'000</b>        | <b>£'000</b>      | <b>£'000</b>        |
| <b>10,626</b>        | <b>Balance b/fwd as at 1st April</b>  | <b>9,781</b>        | <b>331</b>        | <b>10,112</b>       |
| (511)                | Police Debt due to Loans Fund         | (536)               | -                 | (536)               |
| 21                   | House Loan Advances                   | -                   | 244               | 244                 |
| (24)                 | House Loan Repayments                 | -                   | (44)              | (44)                |
| <b><u>10,112</u></b> | <b>Balance c/fwd as at 31st March</b> | <b><u>9,245</u></b> | <b><u>531</u></b> | <b><u>9,776</u></b> |

The 2008/09 figures have been restated for the impact of PFI/PPP IFRS changes. The previous long-term debtors figures for Balfron PFI (£2.21m) and Schools PPP (£35.459m) representing upfront capital payments made towards the residual values of the schools have been deducted and netted off against the PFI/PPP Finance Lease Liability shown elsewhere in the Council's balance sheet.

## 23. Debtors and Prepayments

| 2008/09        |                      |   | 2009/10        |                      |
|----------------|----------------------|---|----------------|----------------------|
| £'000          | £'000                |   | £'000          | £'000                |
| 6,471          |                      | Council Tax                                   | 6,778          |                      |
| <u>(5,238)</u> | <b>1,233</b>         | <u>Less: Provision</u>                        | <u>(5,235)</u> | <b>1,543</b>         |
| 1,141          |                      | Housing Rents                                 | 930            |                      |
| <u>(738)</u>   | <b>403</b>           | <u>Less: Provision</u>                        | <u>(586)</u>   | <b>344</b>           |
| 3,799          |                      | Sundry Debtors                                | 4,243          |                      |
| <u>(966)</u>   | <b>2,833</b>         | <u>Less: Provision</u>                        | <u>(1,668)</u> | <b>2,575</b>         |
| 857            |                      | Council Tax Penalty Charge Income             | 920            |                      |
| <u>(686)</u>   | <b>171</b>           | <u>Less: Provision</u>                        | <u>(748)</u>   | <b>172</b>           |
| <u>1,946</u>   | <b>1,946</b>         | Non Domestic Rates Income Due From Government | <u>2,105</u>   | <b>2,105</b>         |
| <u>7,764</u>   | <b>7,764</b>         | Accrued Income and General Prepayments        | <u>8,628</u>   | <b>8,628</b>         |
|                | <b><u>14,350</u></b> | <b>Balance per Balance Sheet</b>              |                | <b><u>15,367</u></b> |

## 24. Investments

As at 31<sup>st</sup> March 2010, the Council had the following funds invested short-term with other organisations:

| 2008/09              |       |  | 2009/10             |       |
|----------------------|-------|--|---------------------|-------|
| £'000                | £'000 |  | £'000               | £'000 |
| 5,145                |       | Local Authorities                            | -                   |       |
| 5,000                |       | Abbey National                               | 700                 |       |
| 1,890                |       | Royal Bank of Scotland Money Market Services | 3,400               |       |
| <u>782</u>           |       | Corporate Money Market Account               | <u>12</u>           |       |
| <b><u>12,817</u></b> |       | <b>Total Short Term Investments</b>          | <b><u>4,112</u></b> |       |
| 19                   |       | Interest accrued on investments              | 4                   |       |
| <u>12,836</u>        |       | <b>Total Short Term Investments</b>          | <u>4,116</u>        |       |

## 25. Lease Assets Held

Assets held for use in operating leases as at 31<sup>st</sup> March were as follows:

| 2008/09              |       |  | 2009/10              |       |
|----------------------|-------|--|----------------------|-------|
| £'000                | £'000 |  | £'000                | £'000 |
| 27,619               |       | Gross Assets held for use in Operating Leases      | 54,856               |       |
| <u>(3,109)</u>       |       | less: Accumulated Depreciation                     | <u>(4,672)</u>       |       |
| <b><u>24,510</u></b> |       | <b>Net Assets held for use in Operating Leases</b> | <b><u>50,184</u></b> |       |

Finance & Operating Leases: Notes 7-8, Pages 23-24



## 26. Loans Outstanding

The following loans were raised to finance the capital expenditure of the Council. The source of these loans as at 31<sup>st</sup> March 2010 was as follows:

| <b>As at<br/>31/3/09<br/>£'000</b>                       |  | <b>As at<br/>31/3/10<br/>£'000</b> |
|--|--|------------------------------------|
| <b>Borrowing Repayable on Demand or Within 12 Months</b> |  |                                    |
| -  | Temporary Borrowing  | (4,700)                            |
| (100)  | Public Works Loans Board   | (100)                              |
| (150)  | Covenant   | (150)                              |
| (28)   | European Investment Bank   | (31)                               |
| (5)  | Local Lenders  | (52)                               |
| <b>(283)</b>   |  | <b>(5,033)</b>                     |
| (1,474)  | Accrued Interest on Borrowing due to be settled within 12 months | (1,473)                            |
| <b>(1,757)</b>   |  | <b>(6,506)</b>                     |
| <b>Long Term Borrowing</b>                               |  |                                    |
| (121,766)  | Public Works Loans Board   | (121,666)                          |
| (700)  | Covenant Schemes   | (550)                              |
| (100)  | European Investment Bank   | (69)                               |
| (1,000)  | Market Bonds   | (1,000)                            |
| (60)   | Local Lenders  | (10)                               |
| <b>(123,626)</b>   |  | <b>(123,295)</b>                   |
| <b>Maturity Periods:</b>                                 |  |                                    |
| (330)  | Repayable in 1-2 years   | (2,286)                            |
| (7,582)  | Repayable in 2-5 years   | (8,937)                            |
| (19,293)   | Repayable in 5-10 years  | (19,993)                           |
| (38,513)   | Repayable in 10-20 years   | (34,171)                           |
| 0  | Repayable in 20-30 years   | 0                                  |
| (57,908)   | Repayable in more than 30 years                                  | (57,908)                           |
| <b>(123,626)</b>   |  | <b>(123,295)</b>                   |
| <b>28.2 years</b>  | <b>Average Maturity Period</b>                                   | <b>25.9 years</b>                  |

## 27. Financial Instruments Interest and Expense

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

|                                      | <b>Financial Liabilities<br/>at Amortised Cost</b> |                              | <b>Financial Assets<br/>Loans and Receivables</b> |                              |
|--------------------------------------|--|------------------------------|---|------------------------------|
|                                      | <b>31st Mar 09<br/>£'000</b>                       | <b>31st Mar 10<br/>£'000</b> | <b>31st Mar 09<br/>£'000</b>                      | <b>31st Mar 10<br/>£'000</b> |
| Interest Expense                     | 10,057   | 8,920                        | 0   | 0                            |
| Schools PFI/PPP Interest Charges     | 5,564  | 5,956                        | 0   | 0                            |
| Interest Payable and Similar Charges | 15,621   | 14,876                       | 0   | 0                            |
|                                      |  |                              |   |                              |
| Interest Income                      | 0  | 0                            | (3,449)   | (1,187)                      |
| Interest and Investment Income       | 0  | 0                            | (3,449)   | (1,187)                      |
|                                      |  |                              |   |                              |

## 28. Financial Instruments Classification

The borrowings and investments disclosed in the Balance Sheet at 31<sup>st</sup> March 2010 comprise the following categories of financial instruments:

|  | <b>Current</b>   |                  |
|--|------------------|------------------|
|  | <b>31 Mar 09</b> | <b>31 Mar 10</b> |
|  | <b>£'000</b>     | <b>£'000</b>     |
| PWLB debt  | (1,572)          | (1,573)          |
| Non-PWLB debt  | (185)            | (4,933)          |
| <b>Total Debt</b>                                    | <b>(1,757)</b>   | <b>(6,506)</b>   |
| Bank Overdraft                                       | (249)            | (3,797)          |
| Trade Creditors                                      | (8,248)          | (6,547)          |
| Temporary Advances to Loans Fund                     | (4,160)          | (3,136)          |
| <b>Total Financial Liabilities at Amortised Cost</b> | <b>(14,414)</b>  | <b>(19,986)</b>  |
| Investments  | 12,836           | 4,116            |
| Bank Deposits  | 0                | 0                |
| Trade Debtors  | 3,799            | 4,243            |
| Long Term Investments                                | 0                | 0                |
| <b>Total Loans and Receivables</b>                   | <b>16,635</b>    | <b>8,359</b>     |
| Available for Sale                                   | 0                | 0                |
| <b>Total Financial Assets</b>                        | <b>16,635</b>    | <b>8,359</b>     |
|  |                  |                  |
|  | <b>Long Term</b> |                  |
|  | <b>31 Mar 09</b> | <b>31 Mar 10</b> |
|  | <b>£'000</b>     | <b>£'000</b>     |
| PWLB debt  | (121,766)        | (121,666)        |
| Non-PWLB debt  | (1,860)          | (1,630)          |
| <b>Total Debt</b>                                    | <b>(123,626)</b> | <b>(123,296)</b> |
| Bank Overdraft                                       | 0                | 0                |
| Trade Creditors                                      | 0                | 0                |
| Temporary Advances to Loans Fund                     | 0                | 0                |
| Schools PFI/PPP Finance Lease Liability              | (77,207)         | (75,595)         |
| <b>Total Financial Liabilities at Amortised Cost</b> | <b>(200,833)</b> | <b>(198,891)</b> |
| Investments  | 0                | 0                |
| Bank Deposits  | 0                | 0                |
| Trade Debtors  | 0                | 0                |
| Long Term Investments                                | 4,437            | 4,151            |
| <b>Total Loans and Receivables</b>                   | <b>4,437</b>     | <b>4,151</b>     |
| Available for Sale                                   | 485              | 485              |
| <b>Total Financial Assets</b>                        | <b>4,922</b>     | <b>4,636</b>     |

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).

## 29. Financial Instruments Fair Value

The fair value of financial instruments held on the Balance Sheet as at 31<sup>st</sup> March is as follows:

|   | <b>31 Mar 09</b>       |  |                                      |
|---|------------------------|--|--------------------------------------|
|   | <b>Carrying Amount</b> | <b>Fair Value Early Repayment Rate</b> | <b>Fair Value New Borrowing Rate</b> |
|   | <b>£'000</b>           | <b>£'000</b>                           | <b>£'000</b>                         |
| PWLB debt                               | (123,338)              | (173,180)                              | (162,584)                            |
| Non-PWLB debt                           | (2,045)                | (2,461)                                | (2,461)                              |
| Temporary Borrowing                     | 0                      | 0                                      | 0                                    |
| <b>Total Debt</b>                       | <b>(125,383)</b>       | <b>(175,641)</b>                       | <b>(165,045)</b>                     |
| Bank Overdraft                          | (249)                  | (249)                                  | (249)                                |
| Trade Creditors                         | (8,248)                | (8,248)                                | (8,248)                              |
| Temporary Advances to Loans Fund        | (4,160)                | (4,160)                                | (4,160)                              |
| Schools PFI/PPP Finance Lease Liability | (77,207)               | (77,207)                               | (77,207)                             |
| <b>Total Financial Liabilities</b>      | <b>(215,247)</b>       | <b>(265,505)</b>                       | <b>(254,909)</b>                     |
| Investments                             | 12,836                 | 12,836                                 | 12,836                               |
| Trade Debtors                           | 3,799                  | 3,799                                  | 3,799                                |
| Long Term Investments                   | 4,437                  | 4,437                                  | 4,437                                |
| <b>Total Loans and Receivables</b>      | <b>21,072</b>          | <b>21,072</b>                          | <b>21,072</b>                        |
| Available for Sale                      | 485                    | 485                                    | 485                                  |
| <b>Total Financial Assets</b>           | <b>21,557</b>          | <b>21,557</b>                          | <b>21,557</b>                        |

|   | <b>31 Mar 10</b>       |  |                                      |
|---|------------------------|--|--------------------------------------|
|   | <b>Carrying Amount</b> | <b>Fair Value Early Repayment Rate</b> | <b>Fair Value New Borrowing Rate</b> |
|   | <b>£'000</b>           | <b>£'000</b>                           | <b>£'000</b>                         |
| PWLB debt                               | (123,238)              | (165,008)                              | (156,427)                            |
| Non-PWLB debt                           | (1,864)                | (2,209)                                | (2,209)                              |
| Temporary Borrowing                     | (4,700)                | (4,699)                                | (4,699)                              |
| <b>Total Debt</b>                       | <b>(129,802)</b>       | <b>(171,916)</b>                       | <b>(163,335)</b>                     |
| Bank Overdraft                          | (3,797)                | (3,797)                                | (3,797)                              |
| Trade Creditors                         | (6,547)                | (6,547)                                | (6,547)                              |
| Temporary Advances to Loans Fund        | (3,136)                | (3,136)                                | (3,136)                              |
| Schools PFI/PPP Finance Lease Liability | (75,595)               | (75,595)                               | (75,595)                             |
| <b>Total Financial Liabilities</b>      | <b>(218,877)</b>       | <b>(260,991)</b>                       | <b>(252,410)</b>                     |
| Investments                             | 4,116                  | 4,116                                  | 4,116                                |
| Trade Debtors                           | 4,243                  | 4,243                                  | 4,243                                |
| Long Term Investments                   | 4,151                  | 4,151                                  | 4,151                                |
| <b>Total Loans and Receivables</b>      | <b>12,510</b>          | <b>12,510</b>                          | <b>12,510</b>                        |
| Available for Sale                      | 485                    | 485                                    | 485                                  |
| <b>Total Financial Assets</b>           | <b>12,995</b>          | <b>12,995</b>                          | <b>12,995</b>                        |

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 based on the new borrowing rate effectively calculates the notional interest/gain that would accrue if the Council kept the loans to maturity. The Fair Value based on the early repayment rate effectively calculates the amount the Council would have to pay to avoid the notional loss or realise the notional gain.
- 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 31<sup>st</sup> March 2010. 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.

### **30. 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 seek 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. The recent turmoil in the financial markets has resulted in an increasingly restrictive Counterparty list and specific consideration has been given to those UK institutions with significant government support/ownership.

Historically, the Council has not incurred any losses arising from the non-performance of any of its counterparties. In 2009/10, no credit limits were exceeded. Although the current economic environment still presents a risk 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 £2.575m of the £4.243m trade debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

| <b>2008/09</b>      |                   | <b>2009/10</b>      |
|---------------------|-------------------|---------------------|
| <b>£'000</b>        |                   | <b>£'000</b>        |
| 643                 | Less than 30 days | 751                 |
| 326                 | 31-60 days        | 395                 |
| 52                  | 61-90 days        | 145                 |
| 934                 | More than 90 days | 1,284               |
| <b><u>1,955</u></b> |                   | <b><u>2,575</u></b> |

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 2009/10, 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:

|                            |                         |
|----------------------------|-------------------------|
|                            | <b>£'000</b>            |
| Less than one year         | (5,033)                 |
| Between one and two years  | (2,286)                 |
| Between two and five years | (8,937)                 |
| Between five and ten years | (19,993)                |
| More than ten years        | (92,079)                |
|                            | <b><u>(128,328)</u></b> |

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:

|  |              |
|--|--------------|
|  | <b>£'000</b> |
| Increase in interest payable on variable rate borrowings     | 0            |
| Increase in interest receivable on variable rate investments | (49)         |
| Impact on Income and Expenditure Account                     | (49)         |
| Share of overall impact debited to the HRA                   | (7)          |
| <br>   |              |
| Decrease in fair value of fixed rate investment assets       | 0            |
| <br>   |              |
| Decrease in fair value of fixed rate borrowings liabilities  | 17,334       |

The impact of a fall in interest rates of 1% 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 underfunding position in the event of the companies being wound up. As at 31<sup>st</sup> March 2010, the Council's share of the pension deficit of Active Stirling Ltd (41.7%) was £0.913m (2008/09, £0.167m) and Forth Valley GIS Ltd (33.3%) was £0.322m (2008/09, £0.029m). 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.

### **31. Creditors**

|                        |                                    |                        |
|------------------------|------------------------------------|------------------------|
| <b>2008/09</b>         |                                    | <b>2009/10</b>         |
| <b>£'000</b>           |                                    | <b>£'000</b>           |
| (18,885)               | Total Accruals and Deferred Income | (17,573)               |
| (8,248)                | Creditors - Other and Trade        | (6,547)                |
| (21)                   | Loans Fund Creditors               | (12)                   |
| <b><u>(27,154)</u></b> | <b>Balance per Balance Sheet</b>   | <b><u>(24,132)</u></b> |

### **32. 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) with a final payment of £0.253m (inclusive of interest) being made in August 2009. Provision has been made in the accounts to meet the final settlement of outstanding legal costs.

|                             |                     |                   |                      |                     |
|-----------------------------|---------------------|-------------------|----------------------|---------------------|
|                             | <b>Provision</b>    | <b>Payments</b>   | <b>Prov Increase</b> | <b>Provision</b>    |
|                             | <b>31/3/09</b>      | <b>2009/10</b>    | <b>2009/10</b>       | <b>31/3/10</b>      |
|                             | <b>£'000</b>        |                   | <b>£'000</b>         | <b>£'000</b>        |
| Land Compensation Provision | (256)               | 253               | (97)                 | (100)               |
|                             | <b><u>(256)</u></b> | <b><u>253</u></b> | <b><u>(97)</u></b>   | <b><u>(100)</u></b> |

### 33. 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 31<sup>st</sup> March:

|                          | <b>Balance at<br/>31/3/09<br/>£'000</b> | <b>Movement<br/>2009/10<br/>£'000</b> | <b>Balance at<br/>31/3/10<br/>£'000</b> |
|--------------------------|---|---------------------------------------|---|
| Property                 | (15)                                    | (6)                                   | (21)                                    |
| Liability                | (1)                                     | (4)                                   | (5)                                     |
| Motor                    | (6)                                     | -                                     | (6)                                     |
| Combined Liability/Motor | (723)                                   | 13                                    | (710)                                   |
|                          | <b>(745)</b>                            | <b>3</b>                              | <b>(742)</b>                            |

### 34. Temporary Advances (to)/from Loans Fund

The Common Good, Smith Art Gallery and Museum and various Trust Funds administered by the Council had monies temporarily invested with the Council's Loans Fund during the year. The Council also had advances from the Central Scotland Joint Police Board. The level of monies temporarily invested as at 31<sup>st</sup> March are shown below:

| <b>2008/09<br/>£'000</b> |  | <b>2009/10<br/>£'000</b> |
|--------------------------|--|--------------------------|
| (2,481)                  | Central Scotland Joint Police Board            | (2,549)                  |
| (1,673)                  | Common Good and Trust Funds                    | (581)                    |
| <u>(6)</u>               | Smith Art Gallery and Museum                   | <u>(6)</u>               |
| <b><u>(4,160)</u></b>    | <b>Temporary Advances (to)/from Loans Fund</b> | <b><u>(3,136)</u></b>    |

### 35. Pension Assets and Liabilities

#### **Financial Reporting Standard 17 "Retirement Benefits"**

Financial Reporting Standard 17 "Retirement Benefits" (FRS17) 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 FRS17 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.

### **Participation in Pensions Schemes**

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.

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.

- **The Local Government Pension Scheme** administered by Falkirk Council 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. In 2009/10 the Council paid an employer's contribution of £10.0m into the Pension Fund (£9.4m, 2008/09).

The increase in costs from 2008/09 is attributable to the stepping up of the employer's contribution rate from 17.7% (based on 6% employee contributions) to 18.0% as specified by the Fund Actuary. Accrued pension costs at 31<sup>st</sup> March 2010 amounted to £0.847m (£0.844m 2008/09).

- **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. In 2009/10 the Council paid £5.2m to the Scottish Executive in respect of teachers' pension costs, (£4.5m 2008/09).

The Council is also required to meet the cost of benefits arising from compensatory added years (including any related increases), as well as costs arising from the early release of benefits in the Teachers Pension Scheme. In 2009/10, these amounted to £0.7m (£0.7m, 2008/09). Accrued pension costs at 31<sup>st</sup> March 2010 amounted to £0.006m (£0.375m 2008/09).

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.

### **Pension Commutations**

For both Local Government Pension Scheme and Teachers' early retirements, the Actuary has made assumptions regarding the impact of new pension commutation arrangements, whereby members can exchange part of their pension for additional tax-free cash. Given that this change is recent, there is limited hard evidence of long-term trends in commutation rates available to the Actuary. As such, the Actuary has made an assumption that 50% of members who were entitled to elect additional tax-free cash have done so up to permitted limits.

### **Transactions Relating To Retirement Benefits**

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. Cost of retirement benefits are recognised in the Net Cost of Services within the Income & Expenditure Account when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge requiring to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.



The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

| <b>31/3/09</b> |  | <b>31/3/10</b> |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
|                | <b><u>Income and Expenditure Account</u></b>                                     |                |
|                | <b>Net Cost of Services:</b>   |                |
| 7,150          | Current Service Cost   | 5,334          |
| 353            | Past Service Cost  | 3,145          |
| 590            | Settlements & Curtailments   | 8,246          |
|                | <b>Net Operating Expenditure:</b>  |                |
| 19,356         | Interest Cost  | 18,699         |
| (17,062)       | Expected Return on Assets in the Scheme  | (11,628)       |
| <b>10,387</b>  | <b>Net Charge to the Income and Expenditure Account</b>                          | <b>23,796</b>  |
|                | <b><u>Statement of Movement in the General Fund Balance</u></b>                  |                |
| (10,387)       | Reversal of net charges made for retirement benefits in accordance with FRS17    | (23,796)       |
|                | Actual amount charged against the General Fund Balance for pensions in the year: |                |
| <b>11,173</b>  | Employers Contributions payable to the Scheme                                    | <b>13,075</b>  |

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £103.313m (2008/09, losses of £43.631m) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is a net loss of £117.465m (2008/09, net loss of £14.152m).

#### **Assets and Liabilities In Relation To Retirement Benefits**

The reconciliation of the defined benefit obligation as at 31<sup>st</sup> March was as follows:

| <b>31/3/09</b> |   | <b>31/3/10</b> |
|----------------|---|----------------|
| <b>£'000</b>   |   | <b>£'000</b>   |
| <b>280,761</b> | <b>Opening Defined Benefit Obligation</b> | <b>267,035</b> |
| 7,150          | Current Service Cost                      | 5,334          |
| 19,356         | Interest Cost                             | 18,699         |
| 3,095          | Contributions by Members                  | 3,517          |
| (32,996)       | Actuarial Losses / (Gains)                | 154,836        |
| 353            | Past Service Costs / (Gains)              | 3,145          |
| 590            | Losses / (Gains) on Curtailments          | 8,246          |
| (1,685)        | Estimated Unfunded Benefits Paid          | (2,619)        |
| (9,589)        | Estimated Benefits Paid                   | (9,591)        |
| <b>267,035</b> | <b>Closing Defined Benefit Obligation</b> | <b>448,602</b> |

The reconciliation of the fair value of employer assets as at 31<sup>st</sup> March was as follows:

| <b>31/3/09</b> |   | <b>31/3/10</b> |
|----------------|---|----------------|
| <b>£'000</b>   |   | <b>£'000</b>   |
| <b>239,003</b> | <b>Opening Fair Value of Employer Assets</b>  | <b>182,432</b> |
| 17,062         | Expected Return on Assets                     | 11,628         |
| 3,095          | Contributions by Members                      | 3,517          |
| 9,488          | Contributions by the Employer                 | 10,456         |
| 1,685          | Contributions in Respect of Unfunded Benefits | 2,619          |
| (76,627)       | Actuarial Gains / (Losses)                    | 51,523         |
| (1,685)        | Estimated Unfunded Benefits Paid              | (2,619)        |
| (9,589)        | Estimated Benefits Paid                       | (9,591)        |
| <b>182,432</b> | <b>Closing Fair Value of Employer Assets</b>  | <b>249,965</b> |

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

The actual return on pension fund assets for 2009/10 was a positive £63.192m (2008/09, negative £49.337m).

### **Pension Fund History**

Amounts for the current and previous accounting periods are as follows:

|   | <b>31/3/10</b> | <b>31/3/09</b> | <b>31/3/08</b> | <b>31/3/07</b> | <b>31/3/06</b> |
|---|----------------|----------------|----------------|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   |
| Fair Value of Employer Assets               | 249,965        | 182,432        | 239,004        | 239,369        | 220,887        |
| Present Value of Defined Benefit Obligation | (448,602)      | (267,035)      | (280,761)      | (317,176)      | (318,577)      |
| Surplus / (Deficit)                         | (198,637)      | (84,603)       | (41,757)       | (77,807)       | (97,690)       |
| Experience Gains / (Losses) on Assets       | 51,523         | (76,627)       | (23,844)       | (1,939)        | 30,056         |
| Expressed as a % of Assets                  | 20.6%          | -42.0%         | -10.0%         | -0.8%          | 13.6%          |
| Experience Gains / (Losses) on Liabilities  | (1,257)        | 5,307          | 1,818          | 351            | (3,996)        |
| Expressed as a % of Liabilities             | 0.3%           | -2.0%          | -0.6%          | -0.1%          | 1.3%           |

The liabilities show the underlying commitments that the Council has in the long-term to pay retirement benefits. The total liability of £448.602m (2008/09, £267.035m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduced balance of £198.637m (2008/09, £84.603m).

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.

The total contributions made by the Council to the Local Government Pension Scheme in the year to 31<sup>st</sup> March 2011 are estimated to be £8.532m.

### **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. 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 principal assumptions used in their calculations have been as follows:

|   | <b>31/3/10</b> | <b>31/3/09</b> |
|---|----------------|----------------|
| Long-Term Expected Rate of Return on Scheme Assets: |                |                |
| Equity Investments                                  | 7.8%           | 7.0%           |
| Bonds   | 5.0%           | 5.4%           |
| Property  | 5.8%           | 4.9%           |
| Cash  | 4.8%           | 4.0%           |
| Mortality Assumptions:                              |                |                |
| Longevity at 65 for Current Pensioners (Years)      |                |                |
| Males   | 21.6           | 20.7           |
| Females   | 25.0           | 23.8           |
| Longevity at 65 for Future Pensioners (Years)       |                |                |
| Males   | 23.1           | 22.0           |
| Females   | 26.6           | 25.0           |

|                                   | 31/3/10 | 31/3/09 |
|-----------------------------------|---------|---------|
| Financial Assumptions:            |         |         |
| Inflation / Pension Increase Rate | 3.8%    | 3.1%    |
| Salary Increase Rate              | 5.3%    | 4.6%    |
| Expected Return on Assets         | 7.2%    | 6.3%    |
| Discount Rate                     | 5.5%    | 6.9%    |

Take-up of Option to Convert Annual Pension to Lump Sum 50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

|              | 31/3/10     | 31/3/09     |
|--------------|-------------|-------------|
|              | %           | %           |
| Equities     | 77%         | 67%         |
| Bonds        | 13%         | 16%         |
| Property     | 7%          | 9%          |
| Cash         | 3%          | 8%          |
| <b>Total</b> | <b>100%</b> | <b>100%</b> |

#### **History of Experience Gains and Losses**

The actuarial gains and losses identified as movements on the Pension Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31<sup>st</sup> March:

|   | 31/3/10        | 31/3/09        |
|---|----------------|----------------|
|   | £'000          | £'000          |
| Actuarial Gains / (Losses) on Assets        | 51,523         | (76,627)       |
| Fair Value of Employer Assets               | 249,965        | 182,432        |
| <b>Percentage of Assets</b>                 | <b>20.6%</b>   | <b>(42.0%)</b> |
| Actuarial (Gains) / Losses on Liabilities   | 154,836        | (32,996)       |
| Present Value of Defined Benefit Obligation | (448,602)      | (267,035)      |
| <b>Percentage of Liabilities</b>            | <b>(34.5%)</b> | <b>12.4%</b>   |

### **36. Government Grants Deferred Account**

The movement on the Government Grant Deferred Account in 2009/10 was as follows:

|                                      | General         | Housing        | TOTAL           |
|--------------------------------------|-----------------|----------------|-----------------|
|                                      | Services        | Revenue A/c    |                 |
|                                      | £'000           | £'000          | £'000           |
| Opening Balance at 1st April 2009    | (57,223)        | (3,921)        | (61,144)        |
| Add Grants/Contributions received    | (7,369)         | (574)          | (7,943)         |
| Less amounts written down            | 2,778           | 103            | 2,881           |
| <b>Balance as at 31st March 2010</b> | <b>(61,814)</b> | <b>(4,392)</b> | <b>(66,206)</b> |

### 37. Capital Contributions Deferred

The movement on the Capital Contributions Deferred Account in 2009/10 was as follows:

|                           | <b>Opening<br/>Balance<br/>1/4/09<br/>£'000</b> | <b>Capital<br/>Contributions<br/>Received<br/>£'000</b> | <b>Capital<br/>Contributions<br/>Written Down<br/>£'000</b> | <b>Closing<br/>Balance<br/>31/3/10<br/>£'000</b> |
|---------------------------|---|---|---|--|
| Educational Initiatives   | (3,215)   | (79)  | 124   | (3,170)  |
| Environmental Initiatives | (41)  | -   | 2   | (39)   |
| Play Areas                | (882)   | (73)  | 207   | (748)  |
| Social Housing            | (1,208)   | -   | -   | (1,208)  |
| Roads Infrastructure      | (947)   | (5)   | 32  | (920)  |
| Sports Initiatives        | (641)   | -   | 24  | (617)  |
| Economic Development      | (268)   | -   | 8   | (260)  |
| HRA Housing Initiatives   | (105)   | (92)  | 31  | (166)  |
|                           | <u>(7,307)</u>                                  | <u>(249)</u>  | <u>428</u>  | <u>(7,128)</u>                                   |

### 38. Net Assets

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

| <b>2008/09<br/>Restated<br/>£'000</b> |                                | <b>2009/10<br/>£'000</b> |
|---------------------------------------|--------------------------------|--------------------------|
| 210,955                               | General Fund                   | 132,055                  |
| 152,547                               | Housing Revenue Account        | 144,179                  |
| (640)                                 | Significant Trading Operations | 203                      |
| <u>362,862</u>                        | <b>Total Net Assets</b>        | <u>276,437</u>           |

### 39. Equal Pay Provision

The Council implemented Single Status and Job Evaluation by agreement with all employees individually, with new employee grades and terms and conditions coming into effect from 16<sup>th</sup> February 2009.

The process extended to all levels of employees and had the broad aim of bringing together the terms and conditions of the manual and salaried workforces, and in doing so, establishing a new grading structure. This involved the evaluation of the duties of a range of posts with the intention of creating benchmarks against which all posts could be compared. The outcome of the process resulted in the majority of employees experiencing minimal change in their rates of pay. Suitable budget provision was made over the period 2006/07 to 2008/09 to meet the ongoing costs of implementing the changes to employees' terms and conditions.

At 31<sup>st</sup> 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 31<sup>st</sup> March 2010, 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 31<sup>st</sup> March 2007, and to the anticipated likelihood of making payments to other groups of employees. As a result of these reviews, the financial provision was increased at the end of 2006/07 to £3.41m.

At the end of 2007/08, it was again necessary to review the financial provision in the light of the delay to the implementation of single status, and it was judged necessary to make further provision of £1.41m. As a result of these reviews, the financial provision at the end of 2007/08 was set at £4.82m.

At the end of 2008/09, a further review of the provision was required following the implementation of Single Status from 16<sup>th</sup> February 2009. Given the possibility of liability to equal pay claims from female manual workers up to 16<sup>th</sup> February 2009, it was deemed appropriate to make further provision of £1.12m. As a result, the financial provision at the end of 2008/09 was set at £5.94m.

During 2009/10, the Council made final settlement payments of £2.01m to female manual workers, which covered the period from the time original payments were made during 2006/07 and implementation of Single Status on 16<sup>th</sup> February 2009. At the end of 2009/10, it was necessary to review the provision in the light of any possible liability to equal pay claims from male manual workers. In addition, consideration was given to potential liabilities that may arise from the decision in the Redcar & Cleveland Borough Council v Bainbridge case, which examined the issue of employee cash conservation arrangements. As a result, the financial provision at the end of 2009/10 was set at £3.93m, and has been reflected in the Council's Statement of Accounts.

The provision has been deemed sufficient to cover all liabilities that may arise in the future, with no requirement to disclose any further contingent liability. The level of financial provision will continue to be reviewed in line with any future settlements that may require to be made.

#### 40. Reserves and Fund Balances

The following table provides an analysis of the movements on reserves and fund balances during 2009/10.

|                                       | Capital Reserves      |                    |                    | Revenue Reserves |                         |                 | Total Reserves & Fund Balances |                  |
|---------------------------------------|-----------------------|--------------------|--------------------|------------------|-------------------------|-----------------|--------------------------------|------------------|
|                                       | Financial Instruments |                    | Capital            | Other            |                         | Pension Reserve |                                |                  |
|                                       | Revaluation Reserve   | Adjustment Account | Adjustment Account | Receipts Reserve | General Statutory Funds |                 |                                |                  |
|                                       | £'000                 | £'000              | £'000              | £'000            | £'000                   | £'000           | £'000                          |                  |
| <b>Balance as at 1st April 2009</b>   | <b>(184,505)</b>      | <b>3,074</b>       | <b>(249,133)</b>   | <b>(1,230)</b>   | <b>(13,412)</b>         | <b>(2,259)</b>  | <b>84,603</b>                  | <b>(362,862)</b> |
| <u>Net (Surplus)/Deficit for Year</u> |                       |                    |                    |                  |                         |                 |                                |                  |
| General Fund                          |                       |                    |                    |                  | 9,573                   |                 |                                | 9,573            |
| HRA                                   |                       |                    |                    |                  | (2,006)                 |                 |                                | (2,006)          |
| Insurance Reserve                     |                       |                    |                    |                  | (373)                   | 373             |                                | -                |
| Repairs & Renewals Funds              |                       |                    |                    |                  | 141                     | (141)           |                                | -                |
| <u>Pension Adjustments</u>            |                       |                    |                    |                  |                         |                 |                                |                  |
| Retirement Benefits Charges           |                       |                    |                    |                  | (23,796)                | 23,796          |                                | -                |
| Employer's Pension Contributions      |                       |                    |                    |                  | 13,075                  | (13,075)        |                                | -                |
| Actuarial Loss                        |                       |                    |                    |                  |                         | 103,313         |                                | 103,313          |
| <u>Capital Adjustments</u>            |                       |                    |                    |                  |                         |                 |                                |                  |
| Revaluations/Restatements             | (24,455)              |                    |                    |                  |                         |                 |                                | (24,455)         |
| Depreciation Adj for Revaluations     | (648)                 |                    | 648                |                  |                         |                 |                                | -                |
| Revaluation Reserve Adjustment        | 1,828                 |                    | (1,828)            |                  |                         |                 |                                | -                |
| PFI/PPP Finance Lease Payments        |                       |                    | (1,612)            |                  | 1,612                   |                 |                                | -                |
| Capital Funded From Revenue           |                       |                    | (5,568)            |                  | 5,568                   |                 |                                | -                |
| Principal Debt Repayments             |                       |                    | (8,041)            |                  | 8,041                   |                 |                                | -                |
| Government Grants Written Down        |                       |                    | (2,881)            |                  | 2,881                   |                 |                                | -                |
| Capital Contributions Written Down    |                       |                    | (428)              |                  | 428                     |                 |                                | -                |
| Capital Receipts                      |                       |                    |                    | (1,704)          | 1,704                   |                 |                                | -                |
| Capital Receipts Applied              |                       |                    | (1,544)            | 1,544            |                         |                 |                                | -                |
| Asset Disposals                       |                       |                    | 8,017              |                  | (8,017)                 |                 |                                | -                |
| Asset Impairments                     |                       |                    | (3,175)            |                  | 3,175                   |                 |                                | -                |
| Depreciation - Current Assets         |                       |                    | 17,693             |                  | (17,693)                |                 |                                | -                |
| Depreciation - Asset Disposals        |                       |                    | (5,990)            |                  | 5,990                   |                 |                                | -                |
| <u>Other Movements</u>                |                       |                    |                    |                  |                         |                 |                                |                  |
| Amortisation of Premiums              |                       | (80)               |                    |                  | 80                      |                 |                                | -                |
| <b>Balance as at 31st March 2010</b>  | <b>(207,780)</b>      | <b>2,994</b>       | <b>(253,842)</b>   | <b>(1,390)</b>   | <b>(13,029)</b>         | <b>(2,027)</b>  | <b>198,637</b>                 | <b>(276,437)</b> |

## 41. General Fund Earmarked Balances

The General Fund Reserve includes the following earmarked balances:

| <b>Balance at<br/>31/3/09<br/>£'000</b> |  | <b>Balance at<br/>31/3/10<br/>£'000</b> |
|---|--|---|
| 1,650                                   | Income from Council Tax discount on 2nd homes for reinvestment in affordable housing | 2,091                                   |
| 1,183                                   | Schools PPP - grant monies   | 1,183                                   |
| 415                                     | SDA Ltd / CSBP (Invs) Ltd - interest income from loan investments                    | 709                                     |
| 285                                     | Zero Waste Fund - grant monies   | 550                                     |
| 424                                     | Housing Revenue Account  | 424                                     |
| 67                                      | Earlsburn Windfarm Deposit   | 369                                     |
| 473                                     | Fairer Scotland Fund - grant monies  | 285                                     |
| -                                       | More Chances More Choices - grant monies   | 201                                     |
| 1,138                                   | Modernising Government / Customer First - grant monies                               | 196                                     |
| 99                                      | Scheme of Devolved Budget Management to Schools and Services within Education        | 154                                     |
| 232                                     | Public Sector Housing grant  | 123                                     |
| -                                       | Roads Grants - Pothole repairs   | 109                                     |
| 189                                     | Forth Valley Data Sharing Partnership - grant monies                                 | 84                                      |
| -                                       | Multi-Agency Inspection of Services for Older People - Service improvement grants    | 53                                      |
| 22                                      | Archive Services - monies set aside to meet building dilapidation costs              | 46                                      |
| 178                                     | Telecare - grant monies  | -                                       |
| 125                                     | Homeless Task Force - grant monies   | -                                       |
| 122                                     | Joint Improvement Team/Health - grant monies   | -                                       |
| 107                                     | Library Project - Reader In Residence grant monies                                   | -                                       |
| <b>6,709</b>                            |  | <b>6,577</b>                            |

When all of the earmarked items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £6.452m, representing 3.0% of General Fund Budget (£6.703m representing 3.2%, 2008/09).

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.

## 42. Capital Reserves

The Revaluation Reserve records the net gains from asset revaluations made after 1<sup>st</sup> 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, PFI/PPP finance lease creditor payments and gains/losses 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.

| <b>2008/09</b>        |   | <b>2009/10</b>        |
|-----------------------|---|-----------------------|
| <b>£'000</b>          |   | <b>£'000</b>          |
| (1,230)               | Opening Balance 1st April               | (1,230)               |
| (17,703)              | Capital Receipts                        | (1,704)               |
|                       | Less:                                   |                       |
| <u>17,703</u>         | Capital Receipts Applied                | <u>1,544</u>          |
| <b><u>(1,230)</u></b> | <b>Closing Balance as at 31st March</b> | <b><u>(1,390)</u></b> |

#### **43. 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 31<sup>st</sup> March 2010 was £1.436m (2008/09 £1.809m) after allowance of provisions of £0.742m in respect of the self-funded elements of property, liability and motor claims, which remain unsettled as at 31<sup>st</sup> March (2008/09 £0.745m).

The Council has established a Repairs and Renewals Fund to meet potential future repair costs. The balance on the Repairs and Renewals Fund at 31<sup>st</sup> March 2010 was £0.591m (2008/09, £0.45m). The monies held within the Fund have been set aside for the following purposes:

- To allow for excess repair costs to Council dwellings in the event of future severe weather conditions. The balance in the Fund at 31<sup>st</sup> March 2010 was £0.250m (2008/09 £0.250m).
- To allow for future repair costs to the Waste Transfer Station at Polmaise. The balance in the Fund at 31<sup>st</sup> March 2010 was £0.2m (2008/09 £0.2m).
- To allow for future major repair costs to the Council's sports facilities which are operated and managed by Active Stirling Ltd. The balance in the Fund at 31<sup>st</sup> March 2010 was £0.141m (2008/09 £nil).

#### **44. Community Health Partnership**

A Community Health Partnership (CHP) exists between Stirling Council and NHS Forth Valley, which seeks to provide greater efficiency in service delivery across all care sectors and to work towards making a measurable improvement to the health of the population of the Stirling Council area. A Partnership Board made up of senior representatives of NHS Forth Valley and Stirling Council has the remit of agreeing the broad joint business agenda and priorities for the CHP area. This includes setting the strategic vision and objectives for the CHP and monitoring overall performance towards key priorities, objectives and joint outcomes.

#### **45. 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 Notes 63-66 to the Group Accounts on pages 72-74. 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 Finance and Procurement, Stirling Council and information from these as appropriate is included in the following statements.

Group Accounts: Pages 67-74

##### **Active Stirling Limited**

Stirling Council is obliged by statute to provide sport and leisure services to the community and, until 30<sup>th</sup> March 2006, did so directly by means of its Sport and Leisure Service. With effect from 31<sup>st</sup> 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 31<sup>st</sup> March 2006.

Active Stirling operates and manages the Council's sport and leisure facilities including leisure centres, pavilions and sports pitches. The main venue is the Stirling Sports Village and Peak Facility at Forthbank. The land and buildings operated and managed by Active Stirling remain in the Council's ownership.

At 31<sup>st</sup> March 2010 the company had net liabilities of £1,176,318 (2008/09, net assets of £308,819) after inclusion of a retirement benefit pension scheme deficit of £2,190,000 (2008/09, deficit of £400,000). In year ended 31<sup>st</sup> March 2010 the company incurred an operating deficit of £1,485,137 (2008/09, deficit of £337,745) after taking account of an actuarial loss on the retirement benefit pension scheme of £1,959,000 (2008/09, loss of £531,000).

#### **Central Scotland Joint Fire and Rescue Board**

Central Scotland Joint Fire and Rescue Board is the statutory body responsible for provision of fire and rescue services within the Stirling, Falkirk and Clackmannanshire local authority areas. In 2009/10, Stirling Council contributed £5.410m (2008/09, £5.126m) to the Board, and its share of the Board's net liabilities as at 31<sup>st</sup> March 2010 is £36.8m (2008/09, £22.4m) and is included in the Group Balance Sheet on page 70. The net liability position has arisen as a result of the inclusion of net liabilities related to the defined benefit pension scheme as required by FRS17.

#### **Central Scotland Joint Police Board**

Central Scotland Joint Police Board is the statutory body responsible for provision of police services within the Stirling, Falkirk and Clackmannanshire local authority areas. In 2009/10, Stirling Council made a net contribution of £9.009m (2008/09, £8.765m) to the Board, and its share of the Board's net liabilities as at 31<sup>st</sup> March 2010 is £148.759m (2008/09, £91.927m) and is included in the Group Balance Sheet on page 70. The net liability position has arisen as a result of the inclusion of net liabilities related to the defined benefit pension scheme as required by FRS17.

#### **Central Scotland Valuation Joint Board**

Central Scotland Valuation Joint Board was formed in 1996 at local government reorganisation by Act of Parliament. The Board maintains the electoral, council tax and non-domestic rate registers for Stirling, Falkirk and Clackmannanshire Councils. In 2009/10, Stirling Council made a contribution of £0.955m (2008/09, £0.928m) to the Board, and its share of the Board's net liabilities as at 31<sup>st</sup> March 2010 is £2.175m (2008/09, £0.892m) and is included in the Group Balance Sheet on page 70. The net liability position has arisen as a result of the inclusion of net liabilities related to the defined benefit pension scheme as required by FRS17.

#### **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 31<sup>st</sup> March 2010 the Council held 400 shares of £1 each in the company, representing 50% of the issued share capital. At 31<sup>st</sup> March 2010 the company had net assets amounting to £2,445,042 (2008/09, £3,252,135). In year ended 31<sup>st</sup> March 2010 the company achieved a profit before tax of £244,186 (2008/09, £326,304) and a profit after tax of £192,907 (2008/09, £255,478). The company paid £1m of dividends from reserves during 2009/10, of which the Council received £500,000 (2008/09, £750,000). At 31<sup>st</sup> March 2010 the amount loaned by the Council to the company was £150,000 (2008/09, £435,416).

#### **Forth Valley GIS Ltd**

The principal activity of the company is the provision of corporate Geographical Information Services, and in particular, to Clackmannanshire, Falkirk and Stirling Councils. At 31<sup>st</sup> March 2010 the Council held 24 shares of £1 each in the company, representing a 33.3% shareholding. At 31<sup>st</sup> March 2010 the company had net liabilities of £749,559 (2008/09, assets of £210,456) after including a retirement benefit pension scheme deficit of £966,000 (2008/09, £87,000). In year ended 31<sup>st</sup> March 2010 the company incurred a loss before tax of £44,270 (2008/09, profit of £179,553) and a loss after tax of £30,016 (2008/09, profit of £143,202).

#### **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 31<sup>st</sup> March 2010 the company had net assets of £nil (2008/09, assets of £nil) after including a retirement benefit pension scheme deficit of £454,000 (2008/09, deficit of £26,000). In year ended 31<sup>st</sup> March 2010 the company's operating profit was £nil (2008/09, deficit of £553,451) after taking account of an actuarial loss on the retirement benefit pension scheme of £457,000 (2008/09, loss of £11,000). 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<sup>st</sup> June 2007. This agreed the transfer of over 60 acres of land from Stirling Council to Raploch URC Landholdings Limited.

At 31<sup>st</sup> March 2010 the company had net assets amounting to £1,101,031 (2008/09, assets of £1,001,031). In year ended 31<sup>st</sup> March 2010 the company achieved a profit before tax of £nil (2008/09, £nil) and a profit after tax of £nil (2008/09, £nil).

### **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 31<sup>st</sup> March 2010 the company had net assets amounting to £218,724 (2008/09, £218,377). In year ended 31<sup>st</sup> March 2010 the company achieved a profit before tax of £35,702 (2008/09, £41,953) and a profit after tax of £26,347 (2008/09, £31,135). Dividends declared by the company for 2009/10 were £26,000 (2008/09, £36,000).

### **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 31<sup>st</sup> March 2010 the Council held 500 shares of £1 each in the company, representing 50% of the issued share capital. At 31<sup>st</sup> March 2010 the company had net liabilities amounting to £2,535,197 (2008/09, liabilities of £2,237,279). In year ended 31<sup>st</sup> March 2010 the company incurred a loss before tax of £297,918 (2008/09, loss of £2,266,808) and a loss after tax of £297,918 (2008/09, loss of £2,301,245). At 31<sup>st</sup> March 2010 the Council had provided loans to the company amounting to £4,000,551 (2008/09, £4,000,551).

### **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 31<sup>st</sup> March 2010 the company had net assets of £778,397 (2008/09, £834,275) after including a retirement benefit pension scheme deficit of £230,000 (2008/09, deficit of £39,000). In year ended 31<sup>st</sup> March 2010 the company incurred an operating deficit of £55,878 (2008/09, surplus of £52,167) after taking account of an actuarial loss on the retirement benefit pension scheme of £169,000 (2008/09, loss of £9,000). 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 31<sup>st</sup> March 2010 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 31<sup>st</sup> March 2010 the company had net assets amounting to £475,947 (2008/09, £462,629). In year ended 31<sup>st</sup> March 2010 the company achieved a profit before tax of £13,318 (2008/09, £29,852) and a profit after tax of £13,318 (2008/09, £29,852).

At 31<sup>st</sup> March 2010 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 31<sup>st</sup> March 2010 the Council held 85,000 shares of £1 each in the company, representing 84% of the issued share capital. At 31<sup>st</sup> March 2010 the company had net assets amounting to £1,521,901 (2008/09, £1,844,227). In year ended 31<sup>st</sup> March 2010 the company achieved a profit before tax of £39,387 (2008/09, £138,905) and a profit after tax of £28,674 (2008/09, £128,106). 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 31<sup>st</sup> March 2010 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 31<sup>st</sup> March 2010 the company had net assets amounting to £14,718 (2008/09, liabilities of £174,744). In year ended 31<sup>st</sup> March 2010 the company achieved a profit before tax of £189,462 (2008/09, profit of £30,100) and a profit after tax of £189,462 (2008/09, profit of £30,100).

The Council acts as guarantor in respect of the company's obligations under its bank loan agreement. At 31<sup>st</sup> March 2010 the sum guaranteed was £2,111,724 (2008/09, £2,219,846). At 31<sup>st</sup> March 2010 the company owed £329,987 to the Council (2008/09, £129,987) representing payments by Stirling Council on behalf of the company until new bank signatories can be arranged.

### **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 31<sup>st</sup> March 2010 the Council held 198 shares in the company, representing 50% of the issued share capital. At 31<sup>st</sup> March 2010 the company had net assets amounting to £218,813 (2008/09, £199,035). In year ended 31<sup>st</sup> March 2010 the company achieved a profit before tax of £36,980 (2008/09, £56,762) and a profit after tax of £19,778 (2008/09, £47,723).

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 £722,694 at 31<sup>st</sup> March 2010 (2008/09, £852,094).

### **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 31<sup>st</sup> March 2010 the Council held 520,000 shares of £1 each in the company, representing 65% of the issued share capital. At 31<sup>st</sup> March 2010 the company controlled net assets amounting to £383,064 (2008/09, £379,170). In year ended 31<sup>st</sup> March 2010 the company declared a profit before tax of £9,154 (2008/09, £38,065) and a profit after tax of £7,232 (2008/09, £30,071).

At 31<sup>st</sup> March 2010 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.

## **Notes to the Cash Flow Statement**

### **46. Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow**

| <b>2008/09</b>  |   | <b>2009/10</b> |
|-----------------|---|----------------|
| <b>Restated</b> |   |                |
| <b>£'000</b>    |   | <b>£'000</b>   |
| 27,187          | Deficit per Income and Expenditure Account      | 7,567          |
| (15,523)        | Adjustments not involving movement of funds     | 7,685          |
| (931)           | Contributions (to)/from Provisions              | 83             |
| (3)             | Increase/(Decrease) in Stock & Work in Progress | 12             |
| (5,141)         | Increase/(Decrease) in Debtors                  | 1,884          |
| 2,139           | (Increase)/Decrease in Creditors                | 3,636          |
| <b>7,728</b>    | <b>Net Cash Outflow from Revenue Activities</b> | <b>20,867</b>  |

### **47. Analysis of Government Grants**

| <b>2008/09</b>   |                                   | <b>2009/10</b>   |
|------------------|-----------------------------------|------------------|
| <b>£'000</b>     |                                   | <b>£'000</b>     |
| (127,850)        | Revenue Support Grant             | (133,573)        |
| (8,819)          | DWP - Rent Rebates                | (10,027)         |
| (5,663)          | DWP - Rent Allowances             | (6,999)          |
| (3,682)          | Other Grants                      | (3,272)          |
| (621)            | Housing Benefit/Council Tax Admin | (622)            |
| (1,170)          | Education Grants                  | (597)            |
| (538)            | Housing Support                   | (349)            |
| (955)            | Supporting People                 | -                |
| (30)             | Social Inclusion Partnership      | -                |
| (617)            | Modernising Government Fund       | -                |
| <b>(149,945)</b> |                                   | <b>(155,439)</b> |

### **48. Analysis of Cash Balances**

| <b>Movement</b> |                         | <b>As At</b>   | <b>As At</b>   | <b>Movement</b> |
|-----------------|-------------------------|----------------|----------------|-----------------|
| <b>2008/09</b>  |                         | <b>31/3/09</b> | <b>31/3/10</b> | <b>2009/10</b>  |
| <b>£,000</b>    |                         | <b>£,000</b>   | <b>£,000</b>   | <b>£,000</b>    |
| (2)             | Cash In Hand            | 34             | 29             | (5)             |
| (633)           | Bank Balance            | (249)          | (3,797)        | (3,548)         |
| <b>(635)</b>    | <b>Decrease in cash</b> | <b>(215)</b>   | <b>(3,768)</b> | <b>(3,553)</b>  |

### **49. Management of Liquid Resources**

| <b>Movement</b> |   | <b>As At</b>   | <b>As At</b>   | <b>Movement</b> |
|-----------------|---|----------------|----------------|-----------------|
| <b>2008/09</b>  |   | <b>31/3/09</b> | <b>31/3/10</b> | <b>2009/10</b>  |
| <b>£,000</b>    |   | <b>£,000</b>   | <b>£,000</b>   | <b>£,000</b>    |
| (31,458)        | Increase/(Decrease) in Short Term Deposits < 3 months | 12,817         | 4,112          | (8,705)         |
| (35,383)        | Non Domestic Rates Receipts                           |                |                | (36,462)        |
| 2,591           | Non Domestic Rates - Receipts to/(from) National Pool |                |                | (733)           |
| <b>(64,250)</b> |   |                |                | <b>(45,900)</b> |

Short Term Deposits are defined as deposits made by the Council with a fixed maturity of less than 3 months.

## 50. Movement in Financing

| 2008/09<br>£'000 |   | 2009/10<br>£'000 |
|------------------|---|------------------|
|                  | <b>Repayments of amounts borrowed</b>           |                  |
| 22,112           | Public Works Loans Board                        | 100              |
| 26               | European Investment Bank                        | 28               |
| 150              | Covenants                                       | 150              |
| -                | Other Local Authorities                         | 9,080            |
| <u>22,288</u>    |   | <u>9,358</u>     |
|                  | <b>New loans raised</b>                         |                  |
| -                | Other Local Authorities                         | (13,780)         |
| <u>0</u>         |   | <u>(13,780)</u>  |
| <u>22,288</u>    | <b>Net Cash (Inflow)/Outflow from Financing</b> | <u>(4,422)</u>   |

## 51. Reconciliation of Movement in Cash to Movement in Net Debt

|  | Net Debt<br>31/3/09<br>£,000 | Cash<br>Movement<br>£,000 | Net Debt<br>31/3/10<br>£,000 |
|--|------------------------------|---------------------------|------------------------------|
| Cash In Hand                                   | 34                           | (5)                       | 29                           |
| Bank Balance                                   | (249)                        | (3,548)                   | (3,797)                      |
| Debt due within 1 year                         | (1,757)                      | (4,749)                   | (6,506)                      |
| Debt due after 1 year                          | (123,626)                    | 331                       | (123,295)                    |
| Current Asset Investments                      | 12,836                       | (8,720)                   | 4,116                        |
|  | <u>(112,762)</u>             | <u>(16,691)</u>           | <u>(129,453)</u>             |
|  | <b>£,000</b>                 | <b>£,000</b>              |                              |
| <b>Net Movement in Cash:</b>                   |                              |                           |                              |
| Cash In Hand                                   | (5)                          |                           |                              |
| Bank Overdraft                                 | <u>(3,548)</u>               |                           |                              |
|  |                              | (3,553)                   |                              |
| <b>Cash Used to Increase Liquid Resources:</b> |                              |                           |                              |
| European Investment Bank                       | (3)                          |                           |                              |
| Local Lenders                                  | (47)                         |                           |                              |
| Temporary Borrowing                            | (4,700)                      |                           |                              |
| Banks/Building Societies/Money Market Services | (3,574)                      |                           |                              |
| Other Local Authorities                        | <u>(5,145)</u>               |                           |                              |
|  |                              | (13,469)                  |                              |
| <b>Cash Used to Reduce Long Term Debt:</b>     |                              |                           |                              |
| Public Works Loans Board                       | 100                          |                           |                              |
| European Investment Bank                       | 31                           |                           |                              |
| Covenant Schemes                               | 150                          |                           |                              |
| Local Lenders                                  | <u>50</u>                    |                           |                              |
|  |                              | 331                       |                              |
| <b>Change In Net Debt</b>                      |                              | <b>(16,691)</b>           |                              |
| <b>Net Debt as at 31/3/09</b>                  |                              | <b>(112,762)</b>          |                              |
| <b>Net Debt as at 31/3/10</b>                  |                              | <b>(129,453)</b>          |                              |

## 52. Significant Trading Operations – Overview

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.

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 2009/10 for the purposes of calculating statutory outturn positions are as follows:

| Capital Financing Charges |            |           | Statutory Adjs                                 |           |            | Capital Financing Charges |  |         | Statutory Adjs |         |  |
|---------------------------|------------|-----------|--|-----------|------------|---------------------------|--|---------|----------------|---------|--|
| 2008/09                   | 2008/09    | 2008/09   |  | 2009/10   | 2009/10    | 2009/10                   |  | 2009/10 | 2009/10        | 2009/10 |  |
| £'000                     | £'000      | £'000     |  | £'000     | £'000      | £'000                     |  | £'000   | £'000          | £'000   |  |
| 21                        | 4          | 25        | Roads Repair                                   | 18        | (2)        | 16                        |  | 9       | (1)            | 8       |  |
| 5                         | (3)        | 2         | Grounds Maintenance                            | 8         | (1)        | 7                         |  | -       | -              | 0       |  |
| 17                        | (13)       | 4         | Refuse Collection                              | -         | -          | 0                         |  | -       | -              | 0       |  |
| -                         | (2)        | (2)       | Building Cleaning                              | -         | -          | 0                         |  | -       | -              | 0       |  |
| 1                         | 11         | 12        | Catering                                       |           |            |                           |  |         |                |         |  |
| <b>44</b>                 | <b>(3)</b> | <b>41</b> | <b>Total Capital Financing Chgs &amp; IORB</b> | <b>35</b> | <b>(4)</b> | <b>31</b>                 |  |         |                |         |  |

From 1<sup>st</sup> April 2009, the Catering activity ceased to be an STO.

The Council currently has four STOs, all of which achieved a statutory break-even position during 2009/10. In terms of the reported 3-year statutory trading position for each of the STOs, only Building Cleaning failed to meet its statutory objective to break even over the period April 2007 to March 2010. The reason for this was the charging of significant equal pay costs in the two years 2007/08 and 2008/09.

In aggregate, the STOs achieved a statutory surplus of £0.958m in 2009/10 after the charging of notional interest and the crediting of IORB (£0.399m deficit in 2008/09).

| 2007/08                        | 2008/09<br>3 Year              |                                |                                 | 2009/10              |                 |                                | Rolling<br>3 Year              |
|--------------------------------|--------------------------------|--------------------------------|---------------------------------|----------------------|-----------------|--------------------------------|--------------------------------|
| (Surplus)/<br>Deficit<br>£'000 | (Surplus)/<br>Deficit<br>£'000 | (Surplus)/<br>Deficit<br>£'000 |                                 | Expenditure<br>£'000 | Income<br>£'000 | (Surplus)/<br>Deficit<br>£'000 | (Surplus)/<br>Deficit<br>£'000 |
| (289)                          | (487)                          | (841)                          | Roads Repair                    | 11,251               | (11,947)        | (696)                          | (1,472)                        |
| (58)                           | (52)                           | (54)                           | Grounds Maintenance             | 2,126                | (2,282)         | (156)                          | (266)                          |
| (152)                          | (123)                          | (228)                          | Refuse Collection               | 2,286                | (2,306)         | (20)                           | (295)                          |
| 452                            | 451                            | 1,547                          | Building Cleaning               | 1,677                | (1,763)         | (86)                           | 817                            |
| 570                            | 610                            | 1,798                          | Catering                        | -                    | -               | 0                              | -                              |
| <b>523</b>                     | <b>399</b>                     | <b>2,222</b>                   | <b>Total Statutory Outturns</b> | <b>17,340</b>        | <b>(18,298)</b> | <b>(958)</b>                   | <b>(1,216)</b>                 |

The aggregate statutory surplus in 2009/10 after excluding notional capital financing charges and IORB is £0.989m as follows:

| 2007/08                        | 2008/09                        |                                  | 2009/10              |                 |                                |
|--------------------------------|--------------------------------|----------------------------------|----------------------|-----------------|--------------------------------|
| (Surplus)/<br>Deficit<br>£'000 | (Surplus)/<br>Deficit<br>£'000 |                                  | Expenditure<br>£'000 | Income<br>£'000 | (Surplus)/<br>Deficit<br>£'000 |
| (309)                          | (512)                          | Roads Repair                     | 11,233               | (11,945)        | (712)                          |
| (62)                           | (54)                           | Grounds Maintenance              | 2,117                | (2,281)         | (164)                          |
| (161)                          | (127)                          | Refuse Collection                | 2,278                | (2,305)         | (27)                           |
| 459                            | 453                            | Building Cleaning                | 1,677                | (1,763)         | (86)                           |
| 566                            | 598                            | Catering                         | -                    | -               | 0                              |
| (133)                          | -                              | Technical Services               | -                    | -               | 0                              |
| (1,984)                        | -                              | Letting of Commercial Properties | -                    | -               | 0                              |
| <b>(1,624)</b>                 | <b>358</b>                     | <b>Total Statutory Outturns</b>  | <b>17,305</b>        | <b>(18,294)</b> | <b>(989)</b>                   |

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:

| 2007/08                        | 2008/09                        |  | 2009/10              |                 |                                |
|--------------------------------|--------------------------------|--|----------------------|-----------------|--------------------------------|
| (Surplus)/<br>Deficit<br>£'000 | (Surplus)/<br>Deficit<br>£'000 |  | Expenditure<br>£'000 | Income<br>£'000 | (Surplus)/<br>Deficit<br>£'000 |
| 67                             | 85                             | Assets, Property & FM                  | 388                  | (409)           | (21)                           |
| 1                              | 1                              | Chief Executive                        | 6                    | (6)             | 0                              |
| 15                             | 19                             | Communities & Culture                  | 83                   | (87)            | (4)                            |
| 654                            | 827                            | Education                              | 1,043                | (1,097)         | (54)                           |
| 2                              | 2                              | Economy, Employment & Youth            | 7                    | (7)             | 0                              |
| -                              | -                              | Governance                             | 1                    | (1)             | 0                              |
| 10                             | 13                             | Housing                                | 128                  | (136)           | (8)                            |
| (95)                           | (120)                          | Planning, Regulation & Waste           | 2,435                | (2,471)         | (36)                           |
| (405)                          | (512)                          | Roads, Transport & Open Space          | 12,652               | (13,481)        | (829)                          |
| 36                             | 45                             | Social Care                            | 39                   | (42)            | (3)                            |
| <b>285</b>                     | <b>360</b>                     | <b>Transfer to Inc&amp;Exp Account</b> | <b>16,782</b>        | <b>(17,737)</b> | <b>(955)</b>                   |

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:

| 2007/08                        | 2008/09                        |  | 2009/10              |                 |                                |
|--------------------------------|--------------------------------|--|----------------------|-----------------|--------------------------------|
| (Surplus)/<br>Deficit<br>£'000 | (Surplus)/<br>Deficit<br>£'000 |  | Expenditure<br>£'000 | Income<br>£'000 | (Surplus)/<br>Deficit<br>£'000 |
| (35)                           | (13)                           | Roads Repair                           | 386                  | (410)           | (24)                           |
| (24)                           | (18)                           | Grounds Maintenance                    | 42                   | (46)            | (4)                            |
| 5                              | -                              | Refuse Collection                      | 48                   | (52)            | (4)                            |
| 12                             | 10                             | Building Cleaning                      | 47                   | (49)            | (2)                            |
| 37                             | 19                             | Catering                               | -                    | -               | 0                              |
| 16                             | -                              | Technical Services                     | -                    | -               | 0                              |
| (1,920)                        | -                              | Letting of Commercial Properties       | -                    | -               | 0                              |
| <b>(1,909)</b>                 | <b>(2)</b>                     | <b>Transfer to Inc&amp;Exp Account</b> | <b>523</b>           | <b>(557)</b>    | <b>(34)</b>                    |

### 53. Roads Repair Significant Trading Operation – Trading Account 2009/10

| 2007/08<br>Actual<br>£'000 | 2008/09<br>Actual<br>£'000 | Rolling<br>3 Year<br>Actual<br>£'000 |                          | 2009/10<br>Actual<br>£'000 | 2009/10<br>Target<br>£'000 | Rolling<br>3 Year<br>Actual<br>£'000 | Rolling<br>3 Year<br>Target<br>£'000 |
|----------------------------|----------------------------|--------------------------------------|--------------------------|----------------------------|----------------------------|--------------------------------------|--------------------------------------|
| (10,310)                   | (12,434)                   | (32,616)                             | Turnover                 | (11,947)                   | (10,396)                   | (34,691)                             | (28,476)                             |
| 10,021                     | 11,947                     | 31,775                               | Expenditure              | 11,251                     | 10,293                     | 33,219                               | 28,417                               |
| <b>(289)</b>               | <b>(487)</b>               | <b>(841)</b>                         | <b>(Surplus)/Deficit</b> | <b>(696)</b>               | <b>(103)</b>               | <b>(1,472)</b>                       | <b>(59)</b>                          |

| 2007/08<br>£'000 | 2008/09<br>£'000 |                              | 2009/10<br>£'000 |
|------------------|------------------|------------------------------|------------------|
| (4,116)          | (4,421)          | <u>Analysis of Turnover:</u> |                  |
| (866)            | (227)            | Highway and Roads Maint      | 5,022            |
| (5,328)          | (7,786)          | External Clients             | 410              |
| <b>(10,310)</b>  | <b>(12,434)</b>  | General Fund Capital         | 6,515            |
|                  |                  |                              | <b>11,947</b>    |

The Roads Repairs STO carries out improvements, construction, maintenance and repair work largely on the roads network for which Stirling Council is responsible. However, to maximise the performance and resources of the STO, the Service continues to bid for external contracts where appropriate. In the year, additional winter maintenance work helped improve the contribution to overhead costs.

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 2009/10 is a surplus of £0.696m (£0.487m surplus in 2008/09). This compares favourably with the target for the financial year, which was a surplus of £0.103m.

The Service implemented new single status terms and conditions with the craft operatives in October 2009 which had a significant impact on basic pay.

The outlook for 2010/11 and beyond is challenging, one of reduced budgets which will require the Roads STO to review its operation and resource needs to adapt to the austere financial climate.

### 54. Grounds Maintenance Significant Trading Operation – Trading Account 2009/10

| <b>2007/08</b> | <b>2008/09</b> | <b>Rolling<br/>3 Year<br/>Actual</b> |                          | <b>2009/10</b> | <b>2009/10</b> | <b>Rolling<br/>3 Year<br/>Actual</b> | <b>Rolling<br/>3 Year<br/>Target</b> |
|----------------|----------------|--------------------------------------|--------------------------|----------------|----------------|--------------------------------------|--------------------------------------|
| <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>                         |                          | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>                         | <b>£'000</b>                         |
| (2,057)        | (2,162)        | (5,938)                              | Turnover                 | (2,282)        | (2,040)        | (6,501)                              | (5,983)                              |
| 1,999          | 2,110          | 5,884                                | Expenditure              | 2,126          | 2,029          | 6,235                                | 5,958                                |
| <b>(58)</b>    | <b>(52)</b>    | <b>(54)</b>                          | <b>(Surplus)/Deficit</b> | <b>(156)</b>   | <b>(11)</b>    | <b>(266)</b>                         | <b>(25)</b>                          |

| <b>2007/08</b> | <b>2008/09</b> |                              | <b>2009/10</b> |
|----------------|----------------|------------------------------|----------------|
| <b>£'000</b>   | <b>£'000</b>   |                              | <b>£'000</b>   |
| (2,007)        | (2,118)        | <u>Analysis of Turnover:</u> |                |
| (50)           | (44)           | Internal Clients             | (2,236)        |
| <b>(2,057)</b> | <b>(2,162)</b> | External Clients             | <b>(46)</b>    |
|                |                |                              | <b>(2,282)</b> |

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 2009/10 is a surplus of £0.156m (£0.052m surplus 2008/09). This compares favourably with the budgeted target for the financial year, which was a surplus of £0.011m.

The statutory financial target for the 3 year period was to break even. The actual 3 year performance shows the STO returning a surplus of £0.266m. The Service continues to review its operation to maximise efficiencies through flexible working practices in the use of operatives, plant and equipment between the various functions within Grounds Maintenance.



## 55. Refuse Collection Significant Trading Operation – Trading Account 2009/10

| 2007/08<br>Actual<br>£'000 | 2008/09<br>Actual<br>£'000 | Rolling<br>3 Year<br>Actual<br>£'000 |                          | 2009/10<br>Actual<br>£'000 | 2009/10<br>Target<br>£'000 | Rolling<br>3 Year<br>Actual<br>£'000 | Rolling<br>3 Year<br>Target<br>£'000 |
|----------------------------|----------------------------|--------------------------------------|--------------------------|----------------------------|----------------------------|--------------------------------------|--------------------------------------|
| (2,264)                    | (2,329)                    | (7,051)                              | Turnover                 | (2,306)                    | (2,232)                    | (6,899)                              | (6,807)                              |
| 2,112                      | 2,206                      | 6,823                                | Expenditure              | 2,286                      | 2,226                      | 6,604                                | 6,801                                |
| <b>(152)</b>               | <b>(123)</b>               | <b>(228)</b>                         | <b>(Surplus)/Deficit</b> | <b>(20)</b>                | <b>(6)</b>                 | <b>(295)</b>                         | <b>(6)</b>                           |

| 2007/08<br>£'000 | 2008/09<br>£'000 |                              | 2009/10<br>£'000 |
|------------------|------------------|------------------------------|------------------|
| (2,264)          | (2,329)          | <u>Analysis of Turnover:</u> | (2,254)          |
| 0                | 0                | Internal Clients             | (2,254)          |
| <b>(2,264)</b>   | <b>(2,329)</b>   | External Clients             | <b>(52)</b>      |
|                  |                  |                              | <b>(2,306)</b>   |

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

The actual financial performance for 2009/10 is a surplus of £0.02m (£0.123m surplus 2008/09). This compares favourably with the budgeted target for the financial year, which was a surplus of £0.007m.

All targeted routes are now delivered with two man crews, and routing efficiencies are being continually reviewed. The Council's current vehicle maintenance and repair contract was subject to extension in the year, which resulted in a significant uplift in repair and maintenance costs for refuse collection vehicles (RCVs). Furthermore the implementation of Single Status and Job Evaluation increased employment costs.

The Service has recently taken delivery of a new fleet of RCV's which should increase reliability and reduce repair and maintenance costs in 2010/11. The new RCVs will also be fitted with new software, which will allow more efficient utilisation of collection vehicles and route plans.

Building on its achievement of BS ISO 9001:2008, Waste Services achieved certification for its Environmental Management System to BS ISO 14001 in March 2010. This has seen the Service develop its processes and systems in line with reducing environmental impacts and further improving diversion of wastes from landfill, with almost 44% of wastes being recycled in 2009/10, making Stirling Council one of the best performing Councils in the UK. This year's improvements have largely been achieved by introduction of food waste collection and a firm application of policy encouraging householders to recycle more.

## 56. Building Cleaning Significant Trading Operation – Trading Account 2009/10

| 2007/08<br>Actual<br>£'000 | 2008/09<br>Actual<br>£'000 | Rolling<br>3 Year<br>Actual<br>£'000 |                          | 2009/10<br>Actual<br>£'000 | 2009/10<br>Target<br>£'000 | Rolling<br>3 Year<br>Actual<br>£'000 | Rolling<br>3 Year<br>Target<br>£'000 |
|----------------------------|----------------------------|--------------------------------------|--------------------------|----------------------------|----------------------------|--------------------------------------|--------------------------------------|
| (2,078)                    | (1,742)                    | (5,980)                              | Turnover                 | (1,763)                    | (1,541)                    | (5,583)                              | (5,118)                              |
| 2,530                      | 2,193                      | 7,527                                | Expenditure              | 1,677                      | 1,537                      | 6,400                                | 5,079                                |
| <b>452</b>                 | <b>451</b>                 | <b>1,547</b>                         | <b>(Surplus)/Deficit</b> | <b>(86)</b>                | <b>(4)</b>                 | <b>817</b>                           | <b>(39)</b>                          |

| 2007/08<br>£'000 | 2008/09<br>£'000 |                              | 2009/10<br>£'000 |
|------------------|------------------|------------------------------|------------------|
| (2,040)          | (1,699)          | <u>Analysis of Turnover:</u> |                  |
| (38)             | (43)             | Internal Clients             | (1,714)          |
| <b>(2,078)</b>   | <b>(1,742)</b>   | External Clients             | <b>(49)</b>      |
|                  |                  |                              | <b>(1,763)</b>   |

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 2009/10 was a surplus of £0.086m (£0.451m loss in 2008/09). This compares favourably with the budgeted target for the financial year, which was a surplus of £0.004m. There were no equal pay provisions charged to the Service in 2009/10. Despite a surplus in the current year, the charging of equal pay costs in previous years has meant the STO failing to meet its statutory 3 year financial target to break even with a 3 year reported deficit of £0.817m.

The Building Cleaning contract was re-specified and priced for 2009/10 to reflect changes in service, importantly including the impact of single status costs. However, due to future pressure on client budgets, all opportunities to make further efficiencies will need to be considered as clients look for further savings.

# SUPPLEMENTARY FINANCIAL STATEMENTS

## HOUSING REVENUE ACCOUNT

### INCOME AND EXPENDITURE ACCOUNT

| 2008/09<br>£'000 |   | 2009/10<br>£'000 |
|------------------|---|------------------|
|                  | <b>Income</b>   |                  |
| (15,080)         | Dwelling Rents - Standard   | (15,019)         |
| (428)            | Non Dwelling Rents  | (759)            |
| (538)            | Housing Support Grant   | -                |
| (666)            | Other   | (325)            |
| <u>(16,712)</u>  |   | <u>(16,103)</u>  |
|                  | <b>Expenditure</b>  |                  |
| 6,514            | Repairs and Maintenance   | 5,660            |
| 4,156            | Supervision and Management  | 3,473            |
| 20,671           | Depreciation and Impairment of Fixed Assets   | 2,599            |
| 157              | Other Expenditure   | 259              |
| 365              | Increase/(Decrease) in Bad Debt Provision   | (59)             |
| <u>31,863</u>    |   | <u>11,932</u>    |
| <b>15,151</b>    | <b>Net Cost of HRA Services per Stirling Council<br/>Income and Expenditure Account</b>               | <b>(4,171)</b>   |
| 146              | HRA Share of Corporate and Democratic Core  | 139              |
| <u>15,297</u>    | <b>Net Cost of HRA Services</b>   | <b>(4,032)</b>   |
|                  | <b>HRA Share of the Operating Income and Expenditure<br/>included in Stirling Council's Accounts:</b> |                  |
| 1,210            | Interest Payable and Similar Charges  | 1,200            |
| 69               | Pension Past Service Costs & Settlements & Curtailments   | 725              |
| 167              | Pension Interest Costs & Expected Return On Assets  | 450              |
| (265)            | Interest and Investment Income  | (39)             |
| 4,481            | (Gain)/Loss on sale of HRA Fixed Assets   | (49)             |
| <u>20,959</u>    | <b>(Surplus)/Deficit for the year on HRA Services</b>   | <u>(1,745)</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.

| <b>2008/09</b> |   | <b>Notes</b> | <b>2009/10</b> |
|----------------|---|--------------|----------------|
| <b>£'000</b>   |   |              | <b>£'000</b>   |
| 20,959         | Deficit on the HRA Income and Expenditure Account   |              | (1,745)        |
| (19,103)       | Net additional amount required by statute and non-statutory proper practices to be debited/(credited) to the HRA Balance for the year | 57           | 1,745          |
| <b>1,856</b>   | <b>(Increase)/Decrease in HRA Balances for the Year</b>   |              | <b>0</b>       |
| (2,280)        | HRA Balances brought forward  |              | (424)          |
| <b>(424)</b>   | <b>HRA Balances carried forward</b>   |              | <b>(424)</b>   |

## Notes to the Housing Revenue Account

### **57. Explanation of the significance of the Statement of Movement on the Housing Revenue Account Balance**

| <b>2008/09</b>  |   | <b>2009/10</b> |
|-----------------|---|----------------|
| <b>£'000</b>    |   | <b>£'000</b>   |
|                 | <b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on HRA balance for the year:</b>   |                |
| (20,671)        | Depreciation and impairment of fixed assets   | (2,599)        |
| (4,481)         | Gain/(Loss) on sale of HRA Fixed Assets   | 49             |
| 133             | Government Grants Deferred amortisation   | 135            |
| (755)           | Net charges made for retirement benefits in accordance with FRS17   | (1,514)        |
| <b>(25,774)</b> |   | <b>(3,929)</b> |
|                 | <b>Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA balance for the year:</b> |                |
| 1,158           | Loans Fund principal repayments   | 700            |
| 4,733           | Capital expenditure funded by the HRA   | 4,209          |
| 780             | Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners  | 765            |
| <b>6,671</b>    |   | <b>5,674</b>   |
| <b>(19,103)</b> | <b>Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year</b>                     | <b>1,745</b>   |

## 58. Housing Stock

As at 31<sup>st</sup> March 2010, the Council was responsible for managing 5,601 dwellings (5,762 at 31st March 2009). An analysis of total housing stock is shown below:

| <b>Property Type</b> | <b>1 Apt</b> | <b>2 Apt</b> | <b>3 Apt</b> | <b>4 Apt</b> | <b>5 Apt</b> | <b>6 Apt+</b> | <b>Total</b> |
|----------------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Bedsit               | 21           |              |              |              |              |               | 21           |
| Flat in Close        |              | 520          | 677          | 168          | 2            |               | 1,367        |
| Own Door Flat        |              | 307          | 391          | 213          | 70           | 1             | 982          |
| Maisonette           |              |              | 65           | 10           |              |               | 75           |
| Bungalow             |              | 303          | 33           | 25           | 3            |               | 364          |
| Mid Terrace          |              | 7            | 459          | 469          | 21           | 1             | 957          |
| End Terrace/Semi     |              |              | 720          | 926          | 184          | 1             | 1,831        |
| Detached             |              |              |              | 2            | 2            |               | 4            |
|                      | <u>21</u>    | <u>1,137</u> | <u>2,345</u> | <u>1,813</u> | <u>282</u>   | <u>3</u>      | <u>5,601</u> |

## 59. Average Rent

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

| <b>Property Type</b> | <b>1 Apt</b> | <b>2 Apt</b> | <b>3 Apt</b> | <b>4 Apt</b> | <b>5 Apt</b> | <b>6 Apt</b> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Bedsit               | 49.44        |              |              |              |              |              |
| Flat in Close        |              | 54.49        | 55.80        | 57.10        | 58.40        |              |
| Own Door Flat        |              | 55.54        | 56.86        | 58.19        | 59.51        | 63.97        |
| Maisonette           |              |              | 55.80        | 57.10        |              |              |
| Bungalow             |              | 58.37        | 59.81        | 61.19        | 62.56        |              |
| Mid Terrace          |              | 57.09        | 58.48        | 59.84        | 61.19        | 62.51        |
| End Terrace/Semi     |              |              | 59.81        | 61.19        | 62.56        | 63.97        |
| Detached             |              |              |              | 62.53        | 63.97        | 65.38        |

The average Council house rent per week as at 31<sup>st</sup> March 2010 was £58.38 (£55.09 at 31st March 2009)

## 60. Rent Lost Due To Empty Properties

Rent lost due to empty properties was as follows:

| <b>Property Type</b> | <b>2008/09</b> | <b>2009/10</b> |
|----------------------|----------------|----------------|
|                      | <b>£'000</b>   | <b>£'000</b>   |
| Dwellings            | 85             | 120            |
| Garages              | 41             | 42             |
| Homeless Properties  | 66             | 0              |
|                      | <u>192</u>     | <u>162</u>     |

## 61. Rent Arrears

Rent arrears relating to current tenants in council dwellings and lockups totalled £455,875 as at 31<sup>st</sup> March 2010 (£345,741 as at 31<sup>st</sup> March 2009), and represents 6.70% of the net rent due for the year.

Rent arrears relating to former tenants in council dwellings and lockups totalled £330,194 as at 31<sup>st</sup> March 2010. This represents a decrease of £100,799 since 31<sup>st</sup> March 2009. Arrears of £87,906 were written off during the year, which related to former housing tenants.

## 62. Bad and Doubtful Debts

An accumulated total provision of £579,702 has been made for Bad and Doubtful Debts, of which £538,000 is for dwellings and lockups, with the balance of £41,702 relating to Homeless and other debtors. This is compared to a total of £738,285 in 2008/09, of which £466,000 was for dwellings and lockups with the balance of £272,285 relating to Homeless and other debtors.

## 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.

| <b>2008/09</b>  |   | <b>2009/10</b>  |
|-----------------|---|-----------------|
| <b>£'000</b>    |   | <b>£'000</b>    |
| (50,824)        | Gross Council Tax levied and contributions in lieu          | (51,031)        |
|                 | Less:-  |                 |
| (35)            | Council Tax Benefits net of Government Grants               | (47)            |
| 7,002           | Other Discounts and Reductions                              | 6,964           |
| 36              | Provision for Bad and Doubtful Debts                        | 131             |
| <b>(43,821)</b> | <b>Total Council Tax Income Transferred To General Fund</b> | <b>(43,983)</b> |
| <b>1,209</b>    | <b>Band D Council Tax Levied</b>                            | <b>1,209</b>    |

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

From 1<sup>st</sup> 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 due for 2009/10 amounted to £0.441m, of which £0.116m remained outstanding as at 31<sup>st</sup> March 2010 (2008/09, £0.424m due and £0.074m outstanding).

### Calculation of the Council Tax Base

|                                  | <b>Band A *</b> | <b>Band A</b> | <b>Band B</b> | <b>Band C</b> | <b>Band D</b> | <b>Band E</b> | <b>Band F</b> | <b>Band G</b> | <b>Band H</b> | <b>Total</b>  |
|----------------------------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| No. of Dwellings                 | -               | 5,957         | 8,518         | 4,285         | 4,262         | 5,963         | 4,911         | 4,560         | 635           | 39,091        |
| Exempt Dwellings                 | -               | (577)         | (369)         | (365)         | (280)         | (230)         | (126)         | (50)          | (28)          | (2,025)       |
| Disabled Relief                  | 25              | 31            | (10)          | (8)           | 15            | (6)           | (13)          | (29)          | (5)           | 0             |
| Discounts (25%)                  | (2)             | (748)         | (899)         | (417)         | (399)         | (416)         | (243)         | (145)         | (12)          | (3,281)       |
| Discounts (50%)                  | -               | (14)          | (23)          | (35)          | (45)          | (50)          | (32)          | (33)          | (6)           | (238)         |
| <b>Effective Dwellings</b>       | <b>23</b>       | <b>4,649</b>  | <b>7,217</b>  | <b>3,460</b>  | <b>3,553</b>  | <b>5,261</b>  | <b>4,497</b>  | <b>4,303</b>  | <b>584</b>    | <b>33,547</b> |
| Ratio to Band D                  | 5/9             | 6/9           | 7/9           | 8/9           | 1             | 11/9          | 13/9          | 15/9          | 18/9          |               |
| <b>No. of Band D Equivalents</b> | <b>13</b>       | <b>3,099</b>  | <b>5,613</b>  | <b>3,075</b>  | <b>3,553</b>  | <b>6,430</b>  | <b>6,495</b>  | <b>7,172</b>  | <b>1,168</b>  | <b>36,618</b> |

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

|   |               |
|---|---------------|
| Add: Contribution in lieu with respect to Class 17 dwellings - Band D Equivalents | 16            |
|   | <b>36,634</b> |
| Less: Dwellings where collection of Council Tax is considered to be doubtful      | (733)         |
| Less: Loss on Rebate Grant  | -             |
| <b>Council Tax Base</b>   | <b>35,901</b> |

### 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 2009/10 were as follows:

|                           | <b>Band A</b>  | <b>Band B</b>  | <b>Band C</b>    | <b>Band D</b>    | <b>Band E</b>    | <b>Band F</b>    | <b>Band G</b>    | <b>Band H</b>    |
|---------------------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Council Tax Charge</b> | <b>£806.00</b> | <b>£940.33</b> | <b>£1,074.67</b> | <b>£1,209.00</b> | <b>£1,477.67</b> | <b>£1,746.33</b> | <b>£2,015.00</b> | <b>£2,418.00</b> |

## 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 48.1p for 2009/10 (2008/09, 45.8p). Properties with a rateable value greater than £29,000 are charged a supplement of 0.4p (2008/09, 0.4p) for every £. Properties with a rateable value of £15,000 or less may be eligible for Small Business Bonus.

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.

### Non Domestic Rate Income Account

| 2008/09<br>£'000       |   | 2009/10<br>£'000            | 2009/10<br>£'000       |
|------------------------|---|-----------------------------|------------------------|
| (42,916)               | Gross Rates Levied and Contributions In Lieu                        |                             | (45,347)               |
|                        | <b>Less:</b>  |                             |                        |
| 6,867                  | Reliefs and Other Deductions  | 8,872                       |                        |
| 49                     | Payment of Interest   | 21                          |                        |
| 852                    | Provision for Bad & Doubtful Debts                                  | 189                         |                        |
| (29)                   | Other Adjustments   | (11)                        | 9,071                  |
| <u>(35,177)</u>        |   | <u>                    </u> | <u>(36,276)</u>        |
|                        | <b>Add:</b>   |                             |                        |
| <u>(94)</u>            | Discretionary Relief charged to General Fund                        |                             | <u>(103)</u>           |
| <b>(35,271)</b>        | <b>Net Non Domestic Rate Income</b>                                 |                             | <b>(36,379)</b>        |
| <u>1,588</u>           | Net Contribution to/(from) National Non Domestic Rate Pool          |                             | <u>(739)</u>           |
| <b><u>(33,683)</u></b> | <b>Non Domestic Rate Income to Income &amp; Expenditure Account</b> |                             | <b><u>(37,118)</u></b> |

### Rateable Values and Numbers of Rateable Subjects as at 1<sup>st</sup> April 2009

| Subject Classification  | No. of<br>Subjects  | %                  | Rateable<br>Value (£000) | %                  |
|-------------------------|---------------------|--------------------|--------------------------|--------------------|
| Commercial              | 3,029               | 63.10%             | 61,668                   | 64.24%             |
| Industrial              | 949                 | 19.77%             | 14,497                   | 15.10%             |
| Miscellaneous           | 798                 | 16.63%             | 16,304                   | 16.98%             |
| Formula Valued Subjects | 24                  | 0.50%              | 3,533                    | 3.68%              |
|                         | <b><u>4,800</u></b> | <b><u>100%</u></b> | <b><u>96,002</u></b>     | <b><u>100%</u></b> |

## 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 31<sup>st</sup> March 2010.

### Income and Expenditure Account for Year Ending 31<sup>st</sup> March 2010

| <u>2008/09</u> |              |              |  | <u>2009/10</u> |              |              |
|----------------|--------------|--------------|--|----------------|--------------|--------------|
| Non            |              |              |  | Non            |              |              |
| Charitable     | Charitable   | Total        |  | Charitable     | Charitable   | Total        |
| Trusts         | Trusts       | Trusts       |  | Trusts         | Trusts       | Trusts       |
| £'000          | £'000        | £'000        |  | £'000          | £'000        | £'000        |
|                |              |              | <b>Income</b>                          |                |              |              |
| (3)            | (3)          | (6)          | Donations                              | -              | (3)          | (3)          |
| (9)            | (4)          | (13)         | Interest Received                      | (5)            | (1)          | (6)          |
|                |              |              | <b>Expenditure</b>                     |                |              |              |
| 5              | 2            | 7            | Upkeep of Grounds                      | 3              | -            | 3            |
| 1              | -            | 1            | Premises Insurance                     | 1              | -            | 1            |
| 3              | -            | 3            | Payments to Other Accounts             | -              | 2            | 2            |
| -              | 2            | 2            | Miscellaneous Purchases                | -              | 7            | 7            |
| <b>(3)</b>     | <b>(3)</b>   | <b>(6)</b>   | <b>(Surplus)/Deficit for the Year</b>  | <b>(1)</b>     | <b>5</b>     | <b>4</b>     |
| (211)          | (120)        | (331)        | B/fwd Balances as at 1 April           | (214)          | (123)        | (337)        |
| <b>(214)</b>   | <b>(123)</b> | <b>(337)</b> | <b>C/fwd Balances as at 31st March</b> | <b>(215)</b>   | <b>(118)</b> | <b>(333)</b> |

### Balance Sheet as at 31<sup>st</sup> March 2010

| <u>2008/09</u> |                                       | <u>2009/10</u> |
|----------------|---------------------------------------|----------------|
| £'000          |                                       | £'000          |
|                | <b>Fixed Assets</b>                   |                |
| 46             | Investments                           | 43             |
|                | <b>Current Assets</b>                 |                |
| 323            | Temporary Advance to Stirling Council | 319            |
| <b>369</b>     | <b>Net Assets</b>                     | <b>362</b>     |
|                | <b>Financed by:</b>                   |                |
| (32)           | Fund Balances - Capital               | (29)           |
| (337)          | Fund Balances - Revenue               | (333)          |
| <b>(369)</b>   |                                       | <b>(362)</b>   |



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.

|  | <b>Balance<br/>31/03/09<br/>£</b> | <b>Expenditure<br/>09/10<br/>£</b> | <b>Income<br/>09/10<br/>£</b> | <b>Balance<br/>31/03/10<br/>£</b> |
|--|-----------------------------------|------------------------------------|-------------------------------|-----------------------------------|
| <b><u>Charitable Trusts</u></b>              |                                   |                                    |                               |                                   |
| Dunblane Cemetery Memorial Garden            | (163,913.54)                      | 3,714.27                           | (758.10)                      | (160,957.37)                      |
| Belle Richardson Dobbie Fund                 | (9,513.83)                        | -                                  | (2,104.93)                    | (11,618.76)                       |
| George Murdoch Memorial Fund                 | (5,964.79)                        | -                                  | (309.00)                      | (6,273.79)                        |
| McFarlane Free Library Fund                  | (4,653.36)                        | -                                  | (266.64)                      | (4,920.00)                        |
| M McIntyre Bequest                           | (4,383.89)                        | -                                  | (48.20)                       | (4,432.09)                        |
| AE Foster Bequest                            | (4,374.74)                        | -                                  | (95.87)                       | (4,470.61)                        |
| Thomson Bequest for Stirling Library         | (4,164.91)                        | -                                  | (58.27)                       | (4,223.18)                        |
| Miss CC Halley's Bequest                     | (3,895.94)                        | -                                  | (38.65)                       | (3,934.59)                        |
| Gargunnoch Mortification                     | (2,906.94)                        | -                                  | (46.26)                       | (2,953.20)                        |
| Miss V M Anderson Trust                      | (1,854.73)                        | -                                  | (456.32)                      | (2,311.05)                        |
| Wm MCowan Bequest                            | (1,664.33)                        | -                                  | (28.02)                       | (1,692.35)                        |
| Killlearn War Memorial                       | (1,294.41)                        | -                                  | (224.83)                      | (1,519.24)                        |
| Gargunnoch Rest Garden Fund                  | (1,290.39)                        | -                                  | (5.97)                        | (1,296.36)                        |
| Wm Drummond                                  | (1,190.13)                        | -                                  | (15.41)                       | (1,205.54)                        |
| Miss B Morrison Bequest                      | (1,109.33)                        | -                                  | (5.13)                        | (1,114.46)                        |
| Strathblane Village Club                     | (871.26)                          | -                                  | (21.52)                       | (892.78)                          |
| Strathblane War Memorial                     | (526.82)                          | -                                  | (7.79)                        | (534.61)                          |
| Baird Airston Mortification                  | (491.12)                          | -                                  | (12.96)                       | (504.08)                          |
| R Buchanan Mortification                     | (349.58)                          | -                                  | (6.53)                        | (356.11)                          |
| Provost's Charity Fund                       | (302.85)                          | -                                  | (1.40)                        | (304.25)                          |
| <b>Total Charitable Trusts</b>               | <b>(214,716.89)</b>               | <b>3,714.27</b>                    | <b>(4,511.80)</b>             | <b>(215,514.42)</b>               |
| <b><u>Non-Charitable Trusts</u></b>          |                                   |                                    |                               |                                   |
| Welfare Bequests                             | (38,574.30)                       | 534.56                             | (348.35)                      | (38,388.09)                       |
| Education Bequests                           | (24,925.97)                       | -                                  | (115.27)                      | (25,041.24)                       |
| Social Services Donations & Funds            | (58,663.55)                       | 8,389.22                           | (3,767.91)                    | (54,042.24)                       |
| <b>Total Trusts Held By Stirling Council</b> | <b>(336,880.71)</b>               | <b>12,638.05</b>                   | <b>(8,743.33)</b>             | <b>(332,985.99)</b>               |

#### **Charitable Trusts**

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

#### **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 31<sup>st</sup> March 2010.

### Common Good Income and Expenditure Account for Year Ending 31<sup>st</sup> March 2010

| <b>Total</b>   |  | <b>Stirling</b> | <b>Callander</b> | <b>Bridge of Allan</b> | <b>Total</b>   |
|----------------|--|-----------------|------------------|------------------------|----------------|
| <b>2008/09</b> |  | <b>2009/10</b>  | <b>2009/10</b>   | <b>2009/10</b>         | <b>2009/10</b> |
| <b>£'000</b>   |  | <b>£'000</b>    | <b>£'000</b>     | <b>£'000</b>           | <b>£'000</b>   |
|                | <b>Income</b>                          |                 |                  |                        |                |
| (15)           | Shops & Commercial Premises            | (10)            | -                | -                      | (10)           |
| (53)           | Interest Received                      | (5)             | -                | (2)                    | (7)            |
| <b>(68)</b>    |  | <b>(15)</b>     | <b>0</b>         | <b>(2)</b>             | <b>(17)</b>    |
|                | <b>Expenditure</b>                     |                 |                  |                        |                |
| 14             | Property Maintenance                   | 12              | -                | 14                     | 26             |
| 1              | Electricity                            | 1               | -                | -                      | 1              |
| 19             | Payments to Other Agencies/Individuals | 6               | -                | 2                      | 8              |
| 2              | Depreciation                           | 2               | -                | -                      | 2              |
| <b>36</b>      |  | <b>21</b>       | <b>0</b>         | <b>16</b>              | <b>37</b>      |
| <b>(32)</b>    | <b>(Surplus)/Deficit for the Year</b>  | <b>6</b>        | <b>0</b>         | <b>14</b>              | <b>20</b>      |

### Common Good Balance Sheet as at 31<sup>st</sup> March 2010

| <b>Total</b>   |  | <b>Stirling</b> | <b>Callander</b> | <b>Bridge of Allan</b> | <b>Total</b>   |
|----------------|--|-----------------|------------------|------------------------|----------------|
| <b>2008/09</b> |  | <b>2009/10</b>  | <b>2009/10</b>   | <b>2009/10</b>         | <b>2009/10</b> |
| <b>£'000</b>   |  | <b>£'000</b>    | <b>£'000</b>     | <b>£'000</b>           | <b>£'000</b>   |
|                | <b>Tangible Fixed Assets</b>           |                 |                  |                        |                |
| 128            | Land & Buildings                       | 126             | -                | -                      | 126            |
|                | <b>Investments</b>                     |                 |                  |                        |                |
| -              | Revenue                                | 700             | -                | 370                    | 1,070          |
| 27             | Capital                                | 23              | 4                | -                      | 27             |
|                | <b>Current Assets</b>                  |                 |                  |                        |                |
| 4              | Debtors                                | 5               | -                | -                      | 5              |
| 1,350          | Temporary Advances to Stirling Council | 213             | 3                | 45                     | 261            |
| <b>1,509</b>   | <b>Total Assets Less Liabilities</b>   | <b>1,067</b>    | <b>7</b>         | <b>415</b>             | <b>1,489</b>   |
| (27)           | Revaluation Reserve                    | (27)            | -                | -                      | (27)           |
| <b>(1,482)</b> | <b>Revenue Reserves</b>                | <b>(1,040)</b>  | <b>(7)</b>       | <b>(415)</b>           | <b>(1,462)</b> |
| <b>(1,509)</b> |  | <b>(1,067)</b>  | <b>(7)</b>       | <b>(415)</b>           | <b>(1,489)</b> |

# GROUP ACCOUNTS

## GROUP INCOME AND EXPENDITURE ACCOUNT

| 2008/09        |   | 2009/10        |                  |                |
|----------------|---|----------------|------------------|----------------|
| Restated       |   | Gross          | Gross            | Net            |
| Net Exp        |   | Expenditure    | Income           | Expenditure    |
| £'000          |   | £'000          | £'000            | £'000          |
| 567            | Assets, Property & FM   | 643            | (7)              | 636            |
| 117            | Chief Executive Office  | 190            | 0                | 190            |
| 7,969          | Communities & Culture   | 11,854         | (1,191)          | 10,663         |
| 86,044         | Education   | 91,751         | (3,782)          | 87,969         |
| 7,142          | Economy, Employment & Youth                                     | 4,890          | (3,236)          | 1,654          |
| 1,247          | Finance & Procurement   | 1,583          | (992)            | 591            |
| 276            | Governance  | 531            | (118)            | 413            |
| 2,193          | Housing   | 9,647          | (6,285)          | 3,362          |
| 83             | Improvement & Customer Service                                  | 619            | (155)            | 464            |
| 12,677         | Planning, Regulation & Waste                                    | 19,183         | (9,538)          | 9,645          |
| 15,653         | Roads, Transport & Open Space                                   | 22,044         | (5,593)          | 16,451         |
| 40,249         | Social Care   | 53,754         | (11,778)         | 41,976         |
| 8,765          | Joint Boards: - Police  | 9,662          | (653)            | 9,009          |
| 5,126          | - Fire  | 5,410          | 0                | 5,410          |
| 928            | - Valuation   | 955            | 0                | 955            |
| 3,403          | Corporate & Democratic Core                                     | 3,599          | (248)            | 3,351          |
| 1,524          | Other Services  | 1,950          | (988)            | 962            |
| 943            | Non Distributed Costs   | 11,391         | 0                | 11,391         |
| <b>194,906</b> | <b>Net Cost of General Services</b>                             | <b>249,656</b> | <b>(44,564)</b>  | <b>205,092</b> |
| 15,151         | Housing Revenue Account   | 11,932         | (16,103)         | (4,171)        |
| 21             | Stirling & Callander Common Good Funds - Operating Results      | 29             | (2)              | 27             |
| 9              | Charitable Trust Funds - Operating Results                      | 4              | 0                | 4              |
| 183            | Share of Operating Results of Associates                        | 32,395         | (32,588)         | (193)          |
| (1,234)        | Share of Operating Results of Joint Ventures - Turnover         | 0              | (1,302)          | (1,302)        |
| 2,350          | Share of Operating Results of Joint Ventures - Other            | 1,047          | (1)              | 1,046          |
| <b>211,386</b> | <b>Net Cost of Services</b>                                     | <b>295,063</b> | <b>(94,560)</b>  | <b>200,503</b> |
| 7,894          | Net (gain)/loss on the disposal of Fixed Assets                 | 369            | 0                | 369            |
| 15,621         | Interest Payable  | 14,876         | 0                | 14,876         |
| 158            | Interest Payable by Subsidiaries                                | 67             | 0                | 67             |
| 330            | Share of Interest Payable by Associates                         | 347            | 0                | 347            |
| 604            | Share of Interest Payable by Joint Ventures                     | 268            | 0                | 268            |
| 7              | Net (surplus)/deficit on STO Accounts                           | 0              | (29)             | (29)           |
| (3,513)        | Interest Receivable   | 500            | (1,196)          | (696)          |
| (12)           | Charitable Trust Funds - Interest Receivable                    | 0              | (5)              | (5)            |
| (61)           | Interest Receivable by Subsidiaries                             | 0              | (15)             | (15)           |
| (140)          | Share of Interest Receivable by Associates                      | 0              | (18)             | (18)           |
| (25)           | Share of Interest Receivable by Joint Ventures                  | 0              | 0                | 0              |
| 2,294          | Pension Interest Costs & Expected Return On Assets              | 7,071          | 0                | 7,071          |
| 8,018          | Pension Interest Costs & Expected Return On Assets - Associates | 9,338          | (643)            | 8,695          |
| 31             | Taxation Payable by Subsidiaries                                | 12             | (4)              | 8              |
| 57             | Share of JVs' Taxation Charge                                   | 34             | 0                | 34             |
| <b>242,649</b> | <b>Net Operating Expenditure</b>                                | <b>327,945</b> | <b>(96,470)</b>  | <b>231,475</b> |
| 13             | Minority Interests  | 2              | 0                | 2              |
| <b>242,662</b> | <b>Net Expenditure Before Sources of Finance</b>                | <b>327,947</b> | <b>(96,470)</b>  | <b>231,477</b> |
|                | <b>Less: Sources of Finance</b>                                 |                |                  |                |
| (43,821)       | Council Tax   | 0              | (43,983)         | (43,983)       |
| (21)           | Community Charge  | 0              | (6)              | (6)            |
| (127,940)      | General Government Grants                                       | 0              | (133,573)        | (133,573)      |
| (33,683)       | Non Domestic Rates Redistribution                               | 0              | (37,118)         | (37,118)       |
| <b>37,197</b>  | <b>Deficit For The Year</b>                                     | <b>327,947</b> | <b>(311,150)</b> | <b>16,797</b>  |

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

| 2008/09              |  | 2009/10              |
|----------------------|--|----------------------|
| <b>Restated</b>      |  |                      |
| <b>£'000</b>         |  | <b>£'000</b>         |
| 27,187               | Deficit for the year on the Authority Inc & Exp Account  | 7,567                |
| <u>104</u>           | Adjustments for transactions with other Group Entities   | <u>118</u>           |
| <b>27,291</b>        | <b>Deficit in the Group Income and Expenditure Account attributable to the Authority</b>       | <b>7,685</b>         |
|                      | (Surplus)/Deficit in the Group Income and Expenditure Account attributable to Group Entities:- |                      |
| (247)                | Subsidiaries   | (307)                |
| 8,401                | Associates   | 8,873                |
| <u>1,752</u>         | Joint Ventures   | <u>546</u>           |
| <b><u>37,197</u></b> | <b>Deficit for the year on the Group Inc &amp; Exp Account</b>                                 | <b><u>16,797</u></b> |

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| 2008/09                                       |   | 2009/10          |                |
|---|---|------------------|----------------|
| Restated                                      |   | £'000            | £'000          |
| £'000   |   |                  |                |
| 37,197  | Deficit on the Group Income and Expenditure Account         |                  | 16,797         |
|   | (Surplus)/Deficit Arising on Revaluation of Fixed Assets:   |                  |                |
| (170,856)                                     | Stirling Council  | (24,455)         |                |
| 2,935   | Subsidiaries/Associates/Joint Ventures                      | (423)            |                |
|   |   |                  | (24,878)       |
|   | Actuarial Losses on Pension Fund Assets and Liabilities:    |                  |                |
| 43,631  | Stirling Council  | 103,313          |                |
| 1,474   | Subsidiaries/Associates/Joint Ventures                      | 64,797           |                |
|   |   |                  | 168,110        |
|   | Actuarial Losses on Injury Benefits Assets and Liabilities: |                  |                |
| 781   | Subsidiaries/Associates/Joint Ventures                      |                  | 245            |
| <b>(84,838)</b>                               | <b>Total Recognised (Gains)/Losses for the Year</b>         |                  | <b>160,274</b> |
| <b>Reconciled to Balance Sheet Movements:</b> |   |                  |                |
| <b>Prior Year Balances:</b>                   |   |                  |                |
| (20,047)                                      | Revaluation Reserve   | (187,647)        |                |
| 3,154   | Financial Instruments Adjustment Account                    | 3,074            |                |
| (283,016)                                     | Capital Adjustment Account                                  | (257,046)        |                |
| (1,437)                                       | Capital Receipts Reserve                                    | (1,499)          |                |
| 156,433                                       | Pension Reserve   | 210,663          |                |
| (13,697)                                      | General Fund  | (13,412)         |                |
| (7,480)                                       | Other Reserves and Fund Balances                            | (5,061)          |                |
| <b>(166,090)</b>                              |   | <b>(250,928)</b> |                |
| <b>Current Year Balances:</b>                 |   |                  |                |
| (187,647)                                     | Revaluation Reserve   | (211,274)        |                |
| 3,074   | Financial Instruments Adjustment Account                    | 2,994            |                |
| (257,046)                                     | Capital Adjustment Account                                  | (261,355)        |                |
| (1,499)                                       | Capital Receipts Reserve                                    | (1,614)          |                |
| 210,663                                       | Pension Reserve   | 397,445          |                |
| (13,412)                                      | General Fund  | (13,029)         |                |
| (5,061)                                       | Other Reserves and Fund Balances                            | (3,821)          |                |
| <b>(250,928)</b>                              |   | <b>(90,654)</b>  |                |
| <b>(84,838)</b>                               | <b>(Increase)/Decrease in Net Worth</b>                     |                  | <b>160,274</b> |

## GROUP BALANCE SHEET

| 2008/09          |   | 2009/10  |                 |
|------------------|---|----------|-----------------|
| Restated         |   | £'000    | £'000           |
|                  | <b>Intangible Fixed Assets</b>                    |          |                 |
| 323              | Software Licences                                 |          | 446             |
|                  | <b>Tangible Fixed Assets</b>                      |          |                 |
|                  | <i>Operational Assets</i>                         |          |                 |
| 193,307          | Council Houses                                    |          | 195,991         |
| 422,605          | Other Land and Buildings                          |          | 461,290         |
| 10,324           | Vehicles, Plant and Equipment                     |          | 9,560           |
| 55,122           | Infrastructure Assets                             |          | 69,399          |
| 4,119            | Community Assets                                  |          | 4,503           |
|                  | <i>Non Operational Assets</i>                     |          |                 |
| 12,685           | Investment Properties                             |          | 6,846           |
| 16,225           | Assets Under Construction                         |          | 7,669           |
| 2,092            | Surplus Properties                                |          | 2,027           |
| <b>716,802</b>   | <b>Total Fixed Assets</b>                         |          | <b>757,731</b>  |
| 4,526            | Long Term Investments                             |          | 5,278           |
| 600              | Venture Forth Development Fund                    |          | 600             |
| (114,517)        | Share in Net Assets / (Liabilities) of Associates |          | (187,591)       |
| 13,106           | Share in Gross Assets of Joint Ventures           |          | 12,547          |
| (12,333)         | Share in Gross Liabilities of Joint Ventures      |          | (12,348)        |
| 10,112           | Long Term Debtors                                 |          | 9,776           |
| <b>618,296</b>   | <b>Total Long Term Assets</b>                     |          | <b>585,993</b>  |
|                  | <b>Current Assets</b>                             |          |                 |
| 186              | Stock and Work in Progress                        | 198      |                 |
| 14,269           | Debtors and Prepayments                           | 15,071   |                 |
| 12,858           | Investments                                       | 4,136    |                 |
| 1,833            | Cash In Hand                                      | 2,208    |                 |
| 29,146           |   |          | 21,613          |
|                  | <b>Current Liabilities</b>                        |          |                 |
| (1,757)          | Borrowing Repayable on Demand or Within 12 Months | (6,506)  |                 |
| (28,260)         | Creditors   | (25,245) |                 |
| (249)            | Bank Overdraft                                    | (3,797)  |                 |
| (256)            | Land Compensation Provision                       | (100)    |                 |
| (745)            | Insurance Provision                               | (742)    |                 |
| (5,939)          | Equal Pay Provision                               | (3,932)  |                 |
| (2,810)          | Temporary Advances to Loans Fund                  | (2,875)  |                 |
| (40,016)         |   |          | (43,197)        |
| <b>607,426</b>   | <b>Total Assets Less Current Liabilities</b>      |          | <b>564,409</b>  |
| (84,632)         | Net Pension Liability                             |          | (199,056)       |
| (125,846)        | Long Term Borrowing                               |          | (125,407)       |
| (77,207)         | Finance Lease Liability                           |          | (75,595)        |
| (61,144)         | Government Grants Deferred Account                |          | (66,206)        |
| (7,307)          | Deferred Credits - Developers' Contributions      |          | (7,128)         |
| <b>251,290</b>   | <b>Total Assets Less Liabilities</b>              |          | <b>91,017</b>   |
|                  | <b>Represented By:</b>                            |          |                 |
| (187,647)        | Revaluation Reserve                               |          | (211,274)       |
| 3,074            | Financial Instruments Adjustment Account          |          | 2,994           |
| (257,046)        | Capital Adjustment Account                        |          | (261,355)       |
| (1,499)          | Usable Capital Receipts Reserve                   |          | (1,614)         |
| 210,663          | Pension Reserve                                   |          | 397,445         |
| (13,412)         | General Fund                                      |          | (13,029)        |
| (5,061)          | Other Reserves and Fund Balances                  |          | (3,821)         |
| <b>(250,928)</b> | <b>Group Balances and Reserves</b>                |          | <b>(90,654)</b> |
| (362)            | Minority Interests                                |          | (363)           |
| <b>(251,290)</b> | <b>Total Balances and Reserves</b>                |          | <b>(91,017)</b> |

## GROUP CASH FLOW STATEMENT

| 2008/09       |  | 2009/10 |                 |
|---------------|--|---------|-----------------|
| Restated      |  | £'000   | £'000           |
| £'000         |  |         |                 |
| 7,296         | <b>Net Cash Outflow From Revenue Activities</b>        |         | <b>20,340</b>   |
| (750)         | <b>Dividends from Joint Ventures and Associates</b>    |         | (500)           |
|               | <b>Returns on Investments and Servicing of Finance</b> |         |                 |
| 15,778        | Interest Paid  | 14,954  |                 |
| (2,508)       | Interest Received                                      | 148     |                 |
| <u>13,270</u> |  |         | <u>15,102</u>   |
| <b>19,816</b> | <b>Net Cash Outflow From Operating Activities</b>      |         | <b>34,942</b>   |
| 21            | <b>Taxation</b>  |         | 15              |
|               | <b>Capital Expenditure and Financial Investment</b>    |         |                 |
| 25,020        | Purchase of fixed assets                               | 4,632   |                 |
| 32,687        | Other capital cash payments                            | 29,256  |                 |
| (17,871)      | Sale of fixed assets                                   | (1,848) |                 |
| (8,171)       | Capital grants received                                | (7,943) |                 |
| (10,110)      | Other capital cash receipts                            | (5,858) |                 |
| <u>21,555</u> |  |         | <u>18,239</u>   |
| 33            | <b>Equity Dividends Paid</b>                           |         | <b>24</b>       |
|               | <b>Acquisitions and Disposals</b>                      |         |                 |
| 895           | Investments in Associates and Joint Ventures           | 0       |                 |
| <u>895</u>    |  |         | <u>0</u>        |
| <b>42,320</b> | <b>Net Cash Outflow Before Financing</b>               |         | <b>53,220</b>   |
|               | <b>Management of Liquid Resources</b>                  |         |                 |
| (64,250)      | Net movement in liquid resources                       |         | (45,663)        |
|               | <b>Financing</b>                                       |         |                 |
| 22,386        | Repayments of amounts borrowed                         |         | 9,461           |
| <u>0</u>      | New loans raised                                       |         | <u>(13,780)</u> |
| <b>22,386</b> | <b>Net cash (inflow)/outflow from Financing</b>        |         | <b>(4,319)</b>  |
| <u>456</u>    | <b>Net Decrease in Cash</b>                            |         | <u>3,238</u>    |

## **Notes to the Group Accounts**

### **63. 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 45 on pages 47-50.

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 eight 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  
Forth Valley GIS Ltd - 33.3% of voting rights held by Stirling Council  
Raploch Urban Regeneration Company Ltd – 21.4% of voting rights held by Stirling Council  
Raploch URC Landholdings Ltd – 21.4% 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 31<sup>st</sup> March 2010

### **64. 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, Forth Valley GIS 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.



## 65. 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 2009/10, 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.

## 66. 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 £185.783m. The main reason for this reduction is the inclusion of pension fund deficits attributable to the Police, Fire and Valuation Joint Boards.

|  | <b>Net Assets/<br/>(Liabilities) of<br/>Consolidated<br/>Entities</b> | <b>Group Share of<br/>Consolidated Entities'<br/>Net Assets/(Liabilities)</b> |                         |
|--|---|---|-------------------------|
|  | <b>£,000</b>  | <b>%</b>  | <b>£,000</b>            |
| Central Scotland Joint Police Board    | (457,721)   | 32.5%   | (148,759)               |
| Central Scotland Joint Fire Board      | (123,190)   | 29.9%   | (36,834)                |
| Central Scotland Valuation Joint Board | (6,143)   | 35.4%   | (2,175)                 |
| Other Consolidated Entities            | 2,097   | 94.7%   | 1,985                   |
|  | <b><u>(584,957)</u></b>   |   | <b><u>(185,783)</u></b> |

## 67. 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 reduce the negative movement in the net cash position by £0.315m.

The overall Group net deficit for the year of £16.797m can be reconciled to the Group revenue activities net cash outflow of £20.340m as follows:

|   | <b>£'000</b> | <b>£'000</b>         |
|---|--------------|----------------------|
| <b>Deficit per Group I&amp;E Account</b>                              |              | <b>16,797</b>        |
| Impact of Consolidated Entities on Group I&E Account                  |              | <u>(9,230)</u>       |
| <b>Deficit per Stirling Council I&amp;E Account</b>                   |              | <b>7,567</b>         |
| Surplus of Consolidated Entities included in Group Cashflow Statement |              | <u>(275)</u>         |
|   |              | <b>7,292</b>         |
| <b>Non Cash Items</b>   |              |                      |
| Adjustments not involving movement of funds                           | 7,662        |                      |
| Contributions (to) / from Provisions                                  | <u>83</u>    | 7,745                |
| <b>Items on an Accruals Basis</b>                                     |              |                      |
| Increase / (Decrease) in Stock & Work in Progress                     | 12           |                      |
| Increase / (Decrease) in Debtors                                      | 1,876        |                      |
| (Increase) / Decrease in Creditors                                    | <u>3,415</u> | <u>5,303</u>         |
| <b>Net Cash Outflow from Group Revenue Activities</b>                 |              | <b><u>20,340</u></b> |

# 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 31<sup>st</sup> March 2010, 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
6. 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.
7. The Corporate Governance Manager issues internal Audit reports, in his capacity as Chief Internal Auditor, to Council Services. The reports are also copied to the Head of Finance and Procurement (as the Section 95 Officer), the Head of Governance, the Chief Executive and Assistant Chief Executives, Heads of Service, External Audit, all Council Members and are formally reported to the Governance and Audit Committee.
8. 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). External Audit confirms this each year 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. Internal Audit's long term and annual audit plan for 2009/10 were subject to review and approved by the Council's Governance and Audit Committee on 12<sup>th</sup> March 2009.
9. From the work performed as part of the annual audit plan for 2009/10, the Corporate Governance Manager has concluded that after considering all Services' responses and implementation of recommendations made, reasonable assurance can be placed upon the internal controls in operation throughout the Council.

10. 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.
11. Heads of Service 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 April 2010 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.
12. Internal Audit reports published during 2009/10 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.
13. In 2009/10 the key areas for improvement and strengthening the internal financial control and governance framework of the Council, as identified by the work of Internal Audit extended to:
- the Council's corporate governance framework and arrangements, including:
    - Governance and reporting arrangements for the Council's associated bodies and companies
    - Funding applications and awards for both European funding and the "Leader +" programme
    - Partnership arrangements, including Community Planning and Forth Valley CCTV Partnership
    - Corporate procurement and tendering arrangements to ensure compliance with EU regulations
    - Corporate risk management arrangements, to support delivery of the Council's objectives, and
    - ICT governance arrangements, which underpin robust IT systems and protect corporate data.
  - the Council's contract management arrangements, including:
    - Use of consultancy and professional advisory services
    - Schools PPP facilities management services
    - Building security & alarm services
    - Services provided by community & voluntary sector organisations
    - Financially supported local bus services, and
    - Specialised transport services provided by "Order of Malta – Dial A Journey".
  - the Council's controls over expenditure and income, including:
    - Payment of salaries and expenses to Elected Members
    - Payment of Teachers' salaries
    - School Fund accounts and school imprest accounts
    - Income collection & banking arrangements at Stirling Bus Station:
    - Income from clients for charges for care services provided , and
    - Income from property developers for provision & maintenance of play & recreation areas.
  - the Council's financial and operational controls over "customer-facing" service delivery, including:
    - Springerkerse and Castleview Park and Ride Schemes
    - Licensing of Houses in Multiple Occupation
    - Landlord Registration Service
    - Building Warrants Service
    - Housing Policy: Non Payment of Housing Rents, and
    - Additional Support Needs Service.

14. Internal Audit carries 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 Finance and Procurement, the Head of Governance, the Chief Executive and the Governance and Audit Committee.
15. From the work carried out by Internal Audit during 2009/10 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.
16. For 2009/10 it can be confirmed that all material recommendations have been, or are currently being acted upon by Services. Issues identified during 2009/10 will be followed-up by Internal Audit as part of the 2010/11 Annual Audit Plan.
17. 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 notes 62-65 on pages 70-74
18. 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 Active Stirling Limited and can therefore provide assurance that it 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.
19. Previous reports by the Council's external auditor on the Council Accounts highlighted the need for improvements to the review processes of governance arrangements within all companies and arms-length external organisations, as well as those bodies working towards the achievement of Council objectives. The Council also needed to be able to demonstrate that it met the good governance standards set out in the "*Delivering Good Governance in Local Government*" framework published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
20. The Head of Governance and Internal Audit reported to the Governance and Audit Committee in February and April 2010 a number of high-level recommendations to be undertaken in relation to companies and arms-length external organisations. This was to ensure that good governance arrangements are in place including, identification and appointment of Council lead officers, reporting timetables and appropriate financial and reporting requirements. The External Auditor also undertook a separate strategic review during 2009/10 and reported to the Governance & Audit Committee in June 2010. That review was directly supported by the Chief Executive and supplemented the recommendations made by the review undertaken by the Head of Governance and the Internal Audit team.
21. As there are a number of associated companies of the Council, it is proposed that an ongoing rolling programme will be scheduled of reviews of the governance, financial and operational controls in place within the companies and arms-length external organisations. The Council's Strategic and Annual Operational plans and Internal Audit plans will be adjusted accordingly to support this.
22. The principal objectives of the programme of reviews will be to 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.

Signature  
Date 30<sup>th</sup> September 2010

*W. R. Watson*

Willie Watson CPFA  
Head of Finance & Procurement

# 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 2010 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, the Cash-Flow Statement, the Housing Revenue Account Income and Expenditure Account, Statement of Movement on the Housing Revenue Account Balance, the Council Tax Income Account, the 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 Part VII of 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 Finance & Procurement and auditor

The Head of Finance & Procurement's 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 2009 - A Statement of Recommended Practice (the 2009 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 for Scotland.

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

In addition, I report to you if, in my opinion, the local government body 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 whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local government body'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. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Head of Finance & Procurement 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

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Stirling Council and its group as at 31 March 2010 and the income and expenditure of Stirling Council and its group 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 2010 in respect of the Building Cleaning significant trading operation.

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

30 September 2010