STIRLING COUNCIL

ABSTRACT OF ACCOUNTS

2010-11

Statement of Accounts - Contents

Foreword by the Head of Finance & Procurement

1. Introduction

This explanatory foreword provides an outline of the Council's overall financial position and a summary of the financial outturn for the year ended 31 March 2011. It also explains significant accounting developments and how they have impacted upon the presentation of the core financial statements in the accounts as well as assisting in their interpretation.

2. Accounting Developments: International Financial Reporting Standards (IFRSs)

This Abstract of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting for 2010/11 in the United Kingdom (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC), based on International Financial Reporting Standards (IFRSs). These are a suite of accounting standards used across the world and are the international equivalent of the Financial Reporting Standards (FRSs) used until now in the UK.

In the 2007 Budget, the then-chancellor announced that the UK Public Sector would adopt IFRS, as this was seen as best practice and allowed for international comparisons to be made. As a result, CIPFA/LASAAC now produces the IFRS-based Code of Practice on Local Authority Accounting rather than the Statement of Recommended Practice (the SORP), and this is overseen by the Financial Reporting Advisory Board (FRAB), the independent body that advises the Government on accounting issues, rather than the Accounting Standards Board (ASB).

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 are required to fully convert to financial reporting under International Financial Reporting Standards (IFRS) from 2010/11.

The implementation of IFRS has introduced a number of different accounting practices, and the main areas impacting on the Council's Abstract of Accounts are as follows:

- The financial statements have been redesigned to reflect the requirements of IFRS and to provide better information to users of the accounts. The core financial statements have been simplified with more detailed notes providing further explanation where necessary.
- Grants and contributions received for capital purposes are recognised as income immediately rather than being deferred and matched with depreciation.
- Property, plant and equipment - there is a greater emphasis on accounting for component parts of assets under IFRS, and where part of an asset is replaced, the replaced part requires to be de-recognised. Impairment losses on assets are now taken initially to the Revaluation Reserve rather than the Comprehensive Income & Expenditure Statement, and a new category of 'Assets Held for Sale' has been introduced.
- Schools PFI/PPP assets - these were previously excluded from the Council's balance sheet but IFRS now requires these to be accounted for within non current assets on the Council's balance sheet.
- Leases of property are accounted for as separate leases of land and buildings.
- Employee benefits - IFRS extends the requirements to account for employee benefits (including holiday pay) as employees earn them.

3. Financial Statements

The pages that follow are the Council's Accounts for 2010/11 and comprise:

The Statement of Responsibilities - explains the responsibilities of both the Council and the Head of Finance & Procurement.

The Statement on the System of Internal Financial Control - sets out the framework within which financial control is managed and reviewed within the Council and its associated group entities.

The Remuneration Report - contains information on the remuneration of each senior officer and each senior elected member, as well as anyone not otherwise included in those categories whose remuneration is over £150,000 per year.

The Movement in Reserves Statement - shows the movement in the year on the different reserves held by the Council.

The Comprehensive Income and Expenditure Statement - shows the accounting cost in the year of providing services in accordance with IFRS, rather than the amount to be funded from taxation.

The Balance Sheet - shows the value as at 31 March of the assets and liabilities recognised by the Council.

The Cash Flow Statement - shows the changes in cash and cash equivalents of the Council during the reporting period.

Notes to the accounts including the following:

The Statement of Accounting Policies - 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.

First Time Adoption of IFRS - shows the movements from the previous SORP based accounts to the new IFRS based accounts.

Trading Operations - 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 - summarises the income and expenditure associated with the provision of Council Housing.

The Non Domestic Rate Income 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 Council Tax Income Account - shows the income received from council tax charges levied on domestic properties.

The Group Accounts - 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.

4. General Fund Financial Position

The General Fund outturn position comprised favourable budget variances of £3.5m as follows:

- Net Service underspends of £0.8m (All Services with the exception of Roads, Transport & Open Space reported final outturns either within or close to budget)
- Receipt of £0.4m refund of balances from Central Scotland Joint Fire and Rescue Service
- Energy procurement savings of £0.7m
- VAT recovery from HMRC of £0.5m
- Loan charges savings of £0.8m
- Additional Council Tax income of £0.1m
- Other Corporate Income of £0.2m

The above favourable variances were offset by net severance costs of £4.4m incurred during the year, resulting in a net deficit position of £0.9m.

Despite a difficult financial climate, the Council Tax collection rate for 2010/11 increased to 97.4% of total billings, representing an increase of 0.2% from 2009/10 and continues to represent the highest in-year collection rate across mainland authorities. Direct debit payment facilities now account for 73% of total Council Tax income collection, being an increase of 1% from the previous year and also representing the highest level across all authorities.

The General Fund net deficit of £0.9m has resulted in General Fund reserves of £13.541m as at 31 March 2011. Reported commitments against this balance are £7.759m, leaving uncommitted reserves of £5.782m. In line with previous Council decisions, outstanding costs of £448k relating to the Customer First and Municipal Building works will require to be funded from the carry forward balances position of £5.782m during 2011/12. This will still leave uncommitted balances at a prudent level within the Council's target uncommitted General Fund reserves range of £4.5m - £5.5m (2% - 2.5% of budget). The level of uncommitted reserves reflects the level of funding available to the Council to manage financial risks and unplanned expenditure. The Council in setting its 2011/12 budget in February 2011 made provision for reinstatement of balances to assist future years' budget setting exercises.

Impact of the Recession on Council Finances

The current economic recession has impacted on the Council to a certain degree during 2010/11. Low 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 continue to be extremely difficult and there is a continuing risk that future years' grant settlements will be equally, if not more, challenging. The Council is developing longer-term financial plans to ensure that the potential scenarios are managed in a structured way. The outcomes of the Scottish Government's three-year spending review will be key to forecasting what the likely future scenarios will be and how they will be managed. The Council continues to receive regular financial updates and reports on the anticipated budgetary impact of these factors.

5. Housing Revenue Account Financial Position

The Housing Revenue Account incurred net expenditure of £0.396m during 2010/11, resulting in HRA reserves of £0.028m at 31 March 2011.

6. 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 non current 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 non current assets on which there is outstanding debt. Total notional interest charged to STOs in 2010/11 was £0.016m (£0.031m, 2009/10). 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 1 April 2008 to 31 March 2011. The reason for this was the charging of equal pay costs in 2008/09.

In aggregate, the STOs achieved a statutory surplus of £0.553m in 2010/11 (2009/10, £0.958m) after taking account of IORB and notional interest charges.

7. Capital Account

During 2010/11 the Council invested in new and existing non current 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 £19.455m against a full year budget of £23.124m, representing an underspend of £3.669m. The most significant area of underspend during the year was in the Roads and Transport budget. Expenditure on this budget included works being carried out at Kildean, however progress was affected due to significant adverse weather conditions and delays in awarding contracts. Other reported underspends were as a result of project slippages arising from delays in design work.

The Housing Capital Programme reported a balanced position. Expenditure of £12.222m was met by a programme budget of £10.032m and transfers from earmarked balances of £2.190m.

8. Borrowing and Lending Arrangements

In accordance with the approved Treasury Management Strategy for 2010/11, 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 2010/11 included:

- Short term investment of the Council's surplus cash balances.
- Taking advantage of favourable rates to acquire new medium term borrowing of £10m to fund capital expenditure.

Prudent cash flow management resulted in a cost of debt pool rate of interest of 5.59%, and resulted in savings against loan charges budgets of £0.831m for General Services.

External Debt Levels and Treasury Management Performance complied with the 2010/11 Prudential Indicators as approved by the Council on 11 February 2010.

Council debt levels are £133.313m as at 31 March 2011, which is well within the limit of the Council's capital financing requirement.

9. 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 16th 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 significant change in their rates of pay.

Provision of £3.94m was made in the 2009/10 accounts to meet 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. During 2010/11 an initial sum of £0.49m was paid to male manual workers. Further review of the residual provision of £3.44m as at 31 March 2011 has been carried out, and has been deemed sufficient to cover all liabilities that may arise in the future, with no requirement to disclose any further contingent liability.

10. 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 had been made in the accounts to meet final outstanding legal costs and these were paid during 2010/11.

11. Pension Assets and Liabilities

The Council is required to comply with the accounting principles as required by International Accounting Standard 19 (IAS19). 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 Comprehensive Income and Expenditure Statement and Movement In Reserves Statement 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.

Hymans Robertson, an independent firm of actuaries, has calculated a net liability position of £125.3m on the Local Government Pension Scheme as at 31st March 2011 (2009/10, £198.6m). The £73.3m reported reduction in the net liability position is principally due to the fact that the financial assumptions at 31st March 2011 are more favourable than they were at 31 March 2010, and pension increases are being linked to lower Consumer Price Index (CPI) rather than Retail Price Index (RPI) from June 2010. The combined effect of these factors has been to reduce the value of the liabilities and thus have a positive impact on the IAS19 position. In addition, the previous twelve months have resulted in better than expected returns on fund assets, hence a favourable impact on the IAS19 position

Employer's contributions to the pension fund during 2010/11 were charged at 18.5% of total pensionable employee pay in line with actuarial advice following the most recent formal fund valuation at 31 March 2008. Both employer's contributions and pension investment returns will continue to be monitored on an ongoing basis.

12.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 International Financial Reporting Standards. After consolidation, the Group Balance Sheet shows a reduction in reserves and net assets (excluding minority interests) of £158.521m or 40.6% 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.

Signature W. R. Watson
Date 29 September 2011

Willie Watson CPFA
Head of Finance & Procurement

Statement of Responsibilities

The Authority's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance & Procurement.

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

- Approve the Statement of Accounts within two months of receipt of the Auditor's certificate.

The Head of Finance & Procurement's Responsibilities

The Head of Finance & Procurement is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing 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 local authority code.

The Head of Finance & Procurement has also:

- Kept proper accounting records which were up to date;

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement On The System Of Internal Financial Control

This assurance statement is given in respect of the Abstract of Accounts of Stirling Council for the year ended 31 March 2011, including the group entities within the Council's consolidated accounts.

The Council acknowledges it has responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources under its control.

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.

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.

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 Council Services, the work undertaken is more varied and includes:

- Review of financial procedures and systems
- Advice and consultancy services
- Support for the Best Value audit process
- Fraud prevention and investigation work
- Specific tasks requested by Council Services

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.

Internal Audit operates a five-year rolling audit plan based on the risk assessment methodology published by the Chartered Institute of Public Finance and Accountancy. This incorporates local risk areas identified within the Council together with audit priorities and concerns raised by senior officials. The Strategic Audit Plan identifies all areas for review and an estimate of resources required. The plan is reviewed and revised regularly to take account of operational and / or legislative changes, with resources being allocated to the audit areas of highest priority. Internal Audit's Annual Audit Plan for 2010/11 was subject to review and approval by the Council's Governance and Audit Committee on 27 April 2010.

The Head of Internal Audit issues internal audit reports to Council Heads of Service and to relevant Service Managers. Internal audit reports are also copied to the Head of Finance and Procurement (as the "S.95 Officer"), the Head of Governance, the Chief Executive and Assistant Chief Executives, External Audit, all Elected Members and they are formally reported to the Governance and Audit Committee.

Internal Audit work meets the standards in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) and is confirmed each year by the Council's External Auditor, who places 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.

The Council complies with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government published in 2010. The Council's Chief Financial Officer is the Head of Finance and Procurement, who has overall responsibility for the Council's financial arrangements, and is professionally qualified and suitably experienced to lead the Council's finance function and to direct finance staff. Recognition of the ongoing intention to comply with the CIPFA Statement is also reflected in the specific requirements of, and evidence set out in, the Council's revised Local Code of Corporate Governance, as approved by Council on 17 March 2011 and effective from 1 April 2011.

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 templates and guidance were issued in April 2011 as the basis for Services to provide a more 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 financial control framework across Services continues to be developed, refined and strengthened.

Internal Audit reports published during 2010/11 highlighted a number of areas for improvement and strengthening the internal financial control framework of the Council. Action has already been taken by Services to:

- Improve compliance with agreed and documented procedures,
- Introduce new or strengthen existing controls,
- Manage contracts and partnership-working arrangements more effectively,
- Deliver core services more efficiently, and
- Improve corporate and financial governance arrangements.

In 2010/11, the key areas identified by the work of Internal Audit for development and strengthening of the internal financial control and governance framework of the Council extended to:

- The Council's corporate governance framework and arrangements, including:
    - A revised Local Code of Corporate Governance for implementation from 1 April 2011
    - Arrangements for Community Planning and delivery of the Single Outcome Agreement
    - Governance and reporting arrangements for the Council's associated bodies and companies
    - Arrangements for funding and managing relationships with "third sector" and voluntary organisations

  - Funding applications and awards for both European funding and the “Leader +” programme
  - Arrangements for corporate performance management and reporting of performance indicators
  - ICT governance arrangements, which underpin robust IT systems and protect corporate data.

- The Council’s contract management arrangements, including contracts for:
  - Balfron Schools PFI facilities management services
  - Provision of external legal services by Dundas & Wilson LLP
  - Use of Council-owned community halls and centres by community groups, and
  - Provision of services to people experiencing mental ill health by “Action in Mind” Limited.
- The Council’s controls over expenditure and income, including: those for:
  - “On-street” and “off-street” car parking income
  - National Non-Domestic Rates income billing and collection
  - School Fund accounts, petty cash imprest accounts and purchasing card use
  - Use of petty cash imprest accounts and purchasing card in a Children’s Residential Unit
  - Housing Benefit and Council Tax Benefit awards & payments, and
  - Energy expenditure, energy use and conservation in Council buildings
- The Council’s financial and operational controls over “customer-facing” service delivery, including:
  - Janitorial service provision to support the operation of non-PPP schools
  - Schools and welfare catering and the Saffron management information system
  - Animal health and welfare services provided by the Council across the Forth Valley area
  - Early years nursery education services for children under primary school age
  - Application and determination of gambling, liquor and civic licenses and permits
  - Throughcare and aftercare services to young people in the Council’s care, and
  - Housing adaptations for Council house tenants to assist in their home care and daily living

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.

From the work performed as part of the annual audit plan for 2010/11 for Stirling Council, the Head of Internal Audit has confirmed that all material recommendations have been acted upon, or are currently being acted upon, by Council Services. Issues identified during 2010/11 will be followed-up by Internal Audit as part of the 2011/12 Annual Audit Plan.

From the work performed as part of the annual audit plan for 2010/11 for Stirling Council, the Head of Internal Audit has concluded that, after considering all Services' responses and implementation of recommendations made, reasonable assurance can be placed upon the internal financial controls in operation throughout the Council.

The need for local authorities to comply fully with group accounting arrangements requires that the Statement of Internal Financial Control should also incorporate assurance on the system of internal financial controls within each of the consolidated entities within Stirling Council's group accounts. The consolidated entities are outlined in note 59.

The Council provides an internal audit service to Active Stirling Limited. From the work performed as part of the annual audit plan for 2010/11 for Active Stirling Limited, the Head of Internal Audit has concluded that after considering the Company's responses and implementation of recommendations made, reasonable assurance can be placed upon the internal financial controls in operation within Active Stirling Limited.

The Council provides an internal audit service to Central Scotland Joint Police Board. From the work performed as part of the annual audit plan for 2010/11 for Central Scotland Police, the Head of Internal Audit has concluded that, after considering the Board's responses and implementation of recommendations made, reasonable assurance can be placed upon the internal financial controls in operation within Central Scotland Police.

All other group entities within the Council's consolidated accounts are required to prepare a set of annual financial statements, which are subject to independent audit scrutiny and certification, and are also required to provide the Council with their own Statement of Internal Financial Control. In all of the consolidated entities, a number of Council Officers and Elected Members may serve on the Board(s) and / or scrutiny forum(s) to provide further assurance on the governance arrangements in place. For each of the consolidated entities, there are no material financial control weaknesses reported within the Statements of Internal Financial Control provided to the Council.

The External Auditor's 2009/10 "Report to Members and the Controller of Audit" highlighted the need to improve the Council's governance arrangements for managing its relationships with its companies and arms-length external organisations. In February and April 2010, the Head of Governance reported to the Governance and Audit Committee a number of recommendations to ensure that improved governance arrangements were implemented, including the appointment of "Lead Officers" and appropriate financial and performance reporting requirements.

The Council prepared an Action Plan for the External Auditor's report to develop the governance arrangements for companies and arms-length external organisations. These included actions in relation to the rationale for continued involvement with particular companies and organisations, the development of performance indicators and targets, the development of financial and performance reporting arrangements to the Council and its Scrutiny Committees and the assessment & development of Council Officer and Elected Member capacity to serve on the Boards and Management Committees of companies and arms-length external organisations.

The Council has made progress in developing these revised governance arrangements and has reported that progress to External Audit and to the Governance and Audit Committee. In addition, annual financial statements / performance reports have been received and reported to Council and Governance and Audit Committee during 2010/11, including those of Active Stirling Limited and the Stirling Development Agency.

Signature Date 29 September 2011	W. R. Watson	Willie Watson CPFA Head of Finance & Procurement

Remuneration Report

Introduction

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985 (as amended by the Local Authority (Scotland) Amendment Regulations 2011). These Regulations require various disclosures about the remuneration and pension benefits of Senior Councillors and senior employees.

For completeness, the disclosure requirements under paragraph 3.4.4.1(6) of the Code for the totals of elected members' salaries, allowances and expenses, and those under 3.4.4.1(7) of the Code for the number of officers whose remuneration in the year was greater or equal to £50,000 grouped in bands of £5,000 have been included in separate tables within this report.

Remuneration of Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (Provost), Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a councillor who holds a significant position of responsibility in the Council's political management structure. When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2010-11 the salary for the Leader of Stirling Council was £27,058. The Regulations also permit the Council to remunerate one Civic Head (Provost). The regulations set out the maximum salary that may be paid to that Civic Head. At its meeting on 24 May 2007, the Council confirmed that the Provost of the Council would receive the maximum remuneration payable to the Civic Head in terms of the regulations.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. Under the regulations, the maximum annual amount that may be paid to a Senior Councillor is 75 per cent of the total annual amount payable to the Leader of the Council. For 2010/11 therefore, the total annual amount payable by the Council for remuneration of all of its Senior Councillors did not exceed £20,294. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. At its meeting on 24 May 2007, the Council confirmed the appointment of 8 Senior Councillors and that their remuneration should be set at the maximum rate of 75 per cent of the total annual amount payable to the Leader of the Council. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to councillors with the responsibility of a Convenor or a Vice-Convenor of a Joint Board such as a Police Joint Board. The Regulations require the remuneration to be paid by the Council of which the convenor or vice-convenor (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convenor or Vice-convenor being a member of the Local Government Pension Scheme. The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convenor or Vice-Convenor of a Joint Board.

Those elected members of the Council who act as Convener or Vice-Convener of a Joint Board are as follows:

Central Scotland Joint Police Board	Vice-Convener	Graham Houston
Central Scotland Joint Fire and Rescue Board	Vice-Convener	Paul Owens
Central Scotland Valuation Joint Board	Convener	Andrew Simpson

The total remuneration of the Council's senior elected members is as follows:

	Total Remuneration 2009/10	Salary, Fees and Allowances	Expenses Allowances	**Total Remuneration 2010/11**
	£	**£**	**£**	**£**
Graham Houston - Council Leader	**27,989**	27,058	209	**27,267**
Fergus Wood - Provost	**25,011**	20,294	2,958	**23,252**
Neil Benny - Senior Councillor	**20,939**	20,294	204	**20,498**
Scott Farmer - Senior Councillor	**21,935**	20,294	1,212	**21,506**
John Hendry - Senior Councillor	**20,932**	20,294	205	**20,499**
Graham Lambie - Senior Councillor	**21,720**	20,294	990	**21,284**
Alasdair MacPherson - Senior Councillor	**21,159**	20,294	398	**20,692**
Corrie McChord - Senior Councillor	**21,357**	20,294	523	**20,817**
Steven Paterson - Senior Councillor	**21,073**	20,294	218	**20,512**
Jim Thomson - Senior Councillor	**20,939**	20,294	204	**20,498**

Note: Total remuneration in 2009/10 is higher than 2010/11 in most cases as a result of backdated pay received in 2009/10.

The total remuneration of the Council's elected members (including Senior Councillors above) is as follows:

	2009/10 £000	2010/11 £000
Salaries - Council Duties	409	403
Salaries - Joint Board Duties	8	8
Expenses	25	21
Total	**442**	**432**

The annual return of Councillors' salaries and expenses for 2010/11 is available on the Council's website at www.stirling.gov.uk

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

	In-Year Pension Contributions			**Accrued Pension Benefits**	
	For the Year to 31 March 2010	**For the Year to 31 March 2011**		**As at 31 March 2011**	**Difference from 31 March 2010**
	£	**£**		**£**	**£**
Fergus Wood - Provost	3,729	3,754	Pension	1,000	-
			Lump Sum	2,000	1,000
Scott Farmer - Senior Councillor	3,729	3,754	Pension	1,000	-
			Lump Sum	1,000	-
John Hendry - Senior Councillor	3,727	3,754	Pension	1,000	-
			Lump Sum	1,000	-
Corrie McChord - Senior Councillor	3,729	3,754	Pension	1,000	-
			Lump Sum	2,000	-
Steven Paterson - Senior Councillor	3,754	3,729	Pension	1,000	-
			Lump Sum	1,000	-

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

Remuneration of Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. The Full Council sets the remuneration levels for senior employees. Its role is to ensure the application and implementation of fair and equitable systems for pay and for performance management within the guidelines of, and as determined by, the Scottish Ministers and the Scottish Government. In reaching its decisions, the Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities, the Council's policies for the improvement of the delivery of local public services, and the funds available to the Council.

As part of the work carried out under the Change Programme 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.

The total remuneration of the Council's senior employees in 2009/10 and 2010/11 is as follows:

	Total Remuneration 2009/10	Salary, Fees and Allowances	Expenses Allowances	**Total Remuneration 2010/11**
	£	**£**	**£**	**£**
Bob Jack- Chief Executive	**101,211**	105,315	139	**105,454**
Janice Hewitt - Assistant Chief Executive	**92,255**	94,248	548	**94,796**
Linda Kinney - Assistant Chief Executive	**82,265**	91,846	541	**92,387**
Rebecca Maxwell - Assistant Chief Executive	**83,251**	91,846	-	**91,846**
Willie Watson - Head of Finance & Procurement	**72,946**	77,835	140	**77,975**
Belinda Greer - Head of Education (from 1 Feb 2010)	**9,309**	77,300	443	**77,743**
John Risk - Head of Improvement & Customer Service	**69,520**	72,967	257	**73,224**
Bob Gil - Head of Assets, Property & Facilities Mgt	**67,845**	72,967	81	**73,048**
Tony Cain - Head of Housing	**71,224**	72,967	-	**72,967**
Les Goodfellow - Head of Roads, Transport & Open Space	**71,224**	72,967	-	**72,967**
Des Friel - Head of Economy, Employment & Youth	**67,950**	72,967	-	**72,967**
Kathleen Taylor - Head of Communities & Culture	**67,637**	72,967	-	**72,967**
Hazel McMorrow - Head of Governance	**67,508**	72,967	-	**72,967**
Kevin Robertson - Head of Planning, Regulation & Waste	**71,356**	72,315	31	**72,346**
Shiona Strachan - Acting Head of Social Care (from 1 Dec 2010)	**52,384**	59,745	-	**59,745**
Bill Eadie - Head of Social Care (to 30 Nov 2010)	**73,268**	54,578	68	**54,646**

The senior employees included in the table include any local authority employee:

- Who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration including any remuneration from a local authority subsidiary body is £150,000 or more.

In addition to remuneration received from Stirling Council, the following senior employees received Returning Officer fees from the Scotland Office in respect of the UK Parliamentary elections held in May 2010:

	UK Parliamentary Election
	£
Bob Jack - Chief Executive	3,126
Hazel McMorrow - Head of Governance	1,000
Willie Watson - Head of Finance & Procurement	1,000
John Risk - Head of Improvement & Customer Service	300

The numbers of Council employees, including those senior employees above, receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as follows:

Remuneration band	2009/10 Non Teaching Employees	2009/10 Teaching & Educational Employees	**2009/10 Total Employees**	2010/11 Non Teaching Employees	2010/11 Teaching & Educational Employees	**2010/11 Total Employees**
£50,000 - £54,999	16	19	**35**	4	30	**34**
£55,000 - £59,999	5	5	**10**	11	13	**24**
£60,000 - £64,999	3	2	**5**	-	1	**1**
£65,000 - £69,999	7	5	**12**	1	2	**3**
£70,000 - £74,999	5	-	**5**	8	3	**11**
£75,000 - £79,999	-	-	**-**	2	1	**3**
£80,000 - £84,999	2	-	**2**	-	1	**1**

Remuneration band	2009/10 Non Teaching Employees	2009/10 Teaching & Educational Employees	**2009/10 Total Employees**	2010/11 Non Teaching Employees	2010/11 Teaching & Educational Employees	**2010/11 Total Employees**
£90,000 - £94,999	1	-	**1**	3	-	**3**
£95,000 - £99,999	-	-	**-**	-	-	**-**
£100,000 - £104,999	1	-	**1**	-	-	**-**
£105,000 - £109,999	**-**	**-**	**-**	1	-	**1**
Total Employees	**40**	**31**	**71**	**30**	**51**	**81**

The pension entitlements of Senior Employees for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

	In-Year Pension Contributions			**Accrued Pension Benefits**	
	For the Year to 31 March 2010	**For the Year to 31 March 2011**		**As at 31 March 2011**	**Difference from 31 March 2010**
	£	**£**		**£**	**£**
Bob Jack- Chief Executive	18,218	19,483	Pension	43,000	4,000
			Lump Sum	117,000	5,000
Janice Hewitt - Assistant Chief Executive	16,551	17,436	Pension	26,000	3,000
			Lump Sum	67,000	1,000
Linda Kinney - Assistant Chief Executive	14,624	16,991	Pension	31,000	5,000
			Lump Sum	84,000	10,000
Rebecca Maxwell - Assistant Chief Executive	14,985	16,991	Pension	24,000	3,000
			Lump Sum	63,000	6,000
Willie Watson - Head of Finance & Procurement	13,176	14,453	Pension	32,000	3,000
			Lump Sum	90,000	6,000
Belinda Greer - Head of Education (from 1 Feb 2010)	1,676	14,300	Pension	34,000	2,000
			Lump Sum	-	-

	In-Year Pension Contributions			Accrued Pension Benefits	
	For the Year to 31 March 2010	For the Year to 31 March 2011		As at 31 March 2011	Difference from 31 March 2010
	£	£		£	£
John Risk - Head of Improvement & Customer Service	12,154	13,499	Pension	31,000	3,000
			Lump Sum	86,000	4,000
Bob Gil - Head of Assets, Property & Facilities Mgt	12,151	13,499	Pension	23,000	3,000
			Lump Sum	60,000	4,000
Tony Cain - Head of Housing	12,820	13,499	Pension	30,000	2,000
			Lump Sum	82,000	2,000
Les Goodfellow - Head of Roads, Transport & Open Space	12,820	13,499	Pension	26,000	2,000
			Lump Sum	71,000	2,000
Des Friel - Head of Economy, Employment & Youth	12,151	13,499	Pension	30,000	4,000
			Lump Sum	81,000	6,000
Kathleen Taylor - Head of Communities & Culture	12,151	13,499	Pension	4,000	2,000
			Lump Sum	3,000	-
Hazel McMorrow - Head of Governance	12,151	13,499	Pension	28,000	4,000
			Lump Sum	75,000	5,000
Kevin Robertson - Head of Planning, Regulation & Waste	12,843	13,499	Pension	27,000	1,000
			Lump Sum	75,000	1,000
Shiona Strachan - Acting Head of Social Care (from 1 Dec 2010)	9,429	11,053	Pension	18,000	3,000
			Lump Sum	47,000	6,000
Bill Eadie - Head of Social Care (to 30 Nov 2010)	13,093	77,333	Pension	34,000	2,000
			Lump Sum	96,000	5,000

All senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS). The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

The 2010/11 in-year pension contributions figure of £77,333 for Bill Eadie, Head of Social Care, comprises standard employer’s pension contributions of £10,097 together with a pension strain cost of £67,236.

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

The respective tiers and contribution rates paid by pension scheme members towards their pensions are as follows:

Whole time pay	**Contribution rate 2009/10**	**Contribution rate 2010/11**
On earnings up to and including £18,000	5.5%	5.5%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.5%	8.5%
On earnings above £30,000 and up to £40,000	9.5%	9.5%
On earnings above £40,000	12%	12%

If a person works part time, their contribution rate is calculated on the whole time pay rate for the job, with actual contributions on actual pay earned reducing the amount paid. Membership in the scheme is also accrued on a pro rata basis based on the amount of hours worked.

Subsidiary Entities

The Remuneration Report is also required to include certain remuneration information of local authority subsidiary entities. The details to be disclosed for each subsidiary are:

- The full post title and name of the Chief Executive (or if there is no Chief Executive the most senior manager of that body);
- The name of each Councillor to which that body paid remuneration;
- The full post title and name of each director or employee whose annual remuneration for the financial year was £150,000 or more.

The Council includes 4 subsidiary entities within its Group Accounts as outlined in note 59. However, none of these entities employ a Chief Executive or any other senior managers, nor do they pay any remuneration to Councillors of Stirling Council. No directors or employees of the subsidiary entities received annual remuneration of £150,000 or more for 2009/10 or 2010/11.

Signature
Date 29 September 2011

Janice Hewitt
Assistant Chief Executive

Signature
Date 29 September 2011

Graham Houston
Leader of the Council

Movement in Reserves Statement

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

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Grants Unapplied Account £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance b/fwd at 1/4/2010	**(12,955)**	**(424)**	**(1,390)**	**(591)**	**(1,436)**	**(785)**	**(17,581)**	**(325,357)**	**(342,938)**
Movement in Reserves during 2010/11									
(Surplus)/deficit on provision of services	(17,347)	(314)	-	-	-	-	**(17,661)**	-	**(17,661)**
Other Comprehensive Expenditure/(Income)	-	-	-	-	-	-	**-**	(30,335)	**(30,335)**
Total Comprehensive Expenditure/(Income)	**(17,347)**	**(314)**	**-**	-	-	-	**(17,661)**	**(30,335)**	**(47,996)**
Adjustments between accounting basis & funding basis under regulations (note 6)	15,464	2,503	337	-	-	489	**18,793**	(18,793)	**-**
Net (Increase)/Decrease before Transfers to/from Earmarked Reserves	**(1,883)**	**2,189**	**337**	**-**	**-**	**489**	**1,132**	**(49,128)**	**(47,996)**
Transfers (to)/from Other Statutory Reserves (note 7)	1,297	(1,793)	-	(10)	506	-	-	-	-
(Increase)/Decrease in 2010/11	**(586)**	**396**	**337**	**(10)**	**506**	**489**	**1,132**	**(49,128)**	**(47,996)**
Balance c/fwd at 31/3/2011	**(13,541)**	**(28)**	**(1,053)**	**(601)**	**(930)**	**(296)**	**(16,449)**	**(374,485)**	**(390,934)**

Comparative adjustments made in 2009/10:

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Repairs and Renewals Fund £000	Insurance Fund £000	Capital Grants Unapplied Account £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance b/fwd at 31/3/2009	**(13,249)**	**(423)**	**(1,230)**	**(450)**	**(1,809)**	**(14,423)**	**(31,584)**	**(390,109)**	**(421,693)**
<u>Movement in reserves during 2009/10</u>									
(Surplus)/deficit on provision of services	1,462	(1,565)	-	-	-	-	**(103)**	-	**(103)**
Other Comprehensive Expenditure/(Income)	-	-	-	-	-	-	**-**	78,858	**78,858**
Total Comprehensive Expenditure/(Income)	**1,462**	**(1,565)**	**-**	-	-	-	**(103)**	**78,858**	**78,755**
Adjustments between accounting basis & funding basis under regulations (note 6)	(936)	1,564	(160)	-	-	13,638	**14,106**	(14,106)	**-**
Net (Increase)/Decrease before Transfers to/from Earmarked Reserves	**526**	**(1)**	**(160)**	**-**	**-**	**13,638**	**14,003**	**64,752**	**78,755**
Transfers (to)/from Other Statutory Reserves (note 7)	(232)	-	-	(141)	373	-	-	-	-
(Increase)/Decrease in 2009/10	**294**	**(1)**	**(160)**	**(141)**	**373**	**13,638**	**14,003**	**64,752**	**78,755**
Balance c/fwd at 31/3/2010	**(12,955)**	**(424)**	**(1,390)**	**(591)**	**(1,436)**	**(785)**	**(17,581)**	**(325,357)**	**(342,938)**

Comprehensive Income and Expenditure Statement

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

2009/10 Restated Gross Expenditure £000	2009/10 Restated Gross Income £000	2009/10 Restated Net Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
92,043	(4,372)	87,671	Education Services	105,203	(7,795)	97,408
39,829	(40,258)	(429)	Housing Services	54,925	(42,718)	12,207
16,723	(1,874)	14,849	Cultural & Related Services	14,622	(2,002)	12,620
18,286	(5,460)	12,826	Environmental Services	20,013	(5,254)	14,759
5,410	-	5,410	Fire Services	5,034	(430)	4,604
20,101	(7,878)	12,223	Roads & Transport Services	21,890	(7,836)	14,054
9,662	(653)	9,009	Police Services	8,249	(153)	8,096
1,901	(2,648)	(747)	Planning & Development Services	4,350	(2,024)	2,326
57,605	(12,011)	45,594	Social Work	60,104	(12,537)	47,567
1,821	(950)	871	Central Services to the Public	1,865	(1,074)	791
3,597	(250)	3,347	Corporate & Democratic Core	4,433	(235)	4,198
11,412	-	11,412	Non Distributed Costs	(32,982)	-	(32,982)
3,748	(988)	2,760	Other Operating Income & Expenditure	4,654	(1,695)	2,959
282,138	**(77,342)**	**204,796**	**Cost Of Services**	**272,360**	**(83,753)**	**188,607**
871	(558)	313	Other Operating Expenditure (note 8)	164	(476)	(312)
21,326	(656)	20,670	Financing and Investment Income and Expenditure (note 9)	20,322	(319)	20,003
-	(225,882)	(225,882)	Taxation and Non-Specific Grant Income (note 10)	-	(225,959)	(225,959)
		(103)	**Surplus on Provision of Services**			**(17,661)**
		(24,455)	(Surplus)/Deficit Arising on Revaluation of Non Current Assets			13,478
		103,313	Actuarial (Gains)/ Losses on Pension Assets and Liabilities			(43,813)
		78,858	**Other Comprehensive (Income)/Expenditure**			**(30,335)**
		78,755	**Total Comprehensive (Income)/Expenditure**			**(47,996)**

Balance Sheet

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

1 April 2009 Restated £000	**31 March 2010 Restated £000**		**Note**	**31 March 2011 £000**
323	446	Intangible Assets	31	393
708,362	746,846	Property, Plant & Equipment	33	727,902
4,619	6,846	Investment Property	30	5,295
1,264	1,346	Assets held for sale	36	1,474
5,192	4,996	Long Term Investments	46	6,332
10,112	9,776	Long Term Debtors	45	9,497
729,872	**770,256**	**Long Term Assets**		**750,893**
186	198	Inventories	37	392
14,528	15,585	Short Term Debtors	38	14,506
-	38	Assets held for sale	36	255
12,621	348	Cash and Cash Equivalents	17	7,156
27,335	**16,169**	**Current Assets**		**22,309**
(1,757)	(6,506)	Short Term Borrowing	47	(3,790)
(39,983)	(36,561)	Short Term Creditors	39	(45,917)
(2,909)	(843)	Provisions	40	(799)
(44,649)	**(43,910)**	**Current Liabilities**		**(50,506)**
(123,626)	(123,295)	Long Term Borrowing	47	(131,011)
(75,595)	(73,713)	Finance Lease Liability	35	(71,944)
(3,009)	-	Capital Grants Receipts in Advance	34	(52)
(4,032)	(3,932)	Provisions	40	(3,443)
(84,603)	(198,637)	Other Long Term Liabilities (Pensions)	26	(125,312)
(290,865)	**(399,577)**	**Long Term Liabilities**		**(331,762)**
421,693	**342,938**	**Net Assets**		**390,934**
(390,109)	(325,357)	Unusable Reserves	13	(374,485)
(31,584)	(17,581)	Usable reserves	MIRS	(16,449)
(421,693)	**(342,938)**	**Total Reserves**		**(390,934)**

The unaudited accounts were issued on 24 June 2011 and the audited accounts were authorised for issue on 29 September 2011.

In my opinion the Abstract of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2011 and its income and expenditure for the year then ended.

W. R. Watson

Willie Watson CPFA
Head of Finance & Procurement
29 September 2011

Cash Flow Statement

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

2009/10 Restated £000		**2010/11 £000**
(103)	Net surplus on the provision of services	(17,661)
(8,853)	Adjust net surplus on the provision of services for non cash movements	(11,700)
1,474	Adjust for items included in the net surplus on the provision of services that are investing and financing activities	2,362
(7,482)	**Net cash inflows from Operating Activities**	**(26,999)**
23,304	Investing Activities (note 15)	22,701
(3,549)	Financing Activities (note 16)	(2,510)
12,273	**Net (increase)/decrease in cash and cash equivalents**	**(6,808)**
12,621	Cash and cash equivalents at the beginning of the reporting period	348
348	**Cash and cash equivalents at the end of the reporting period (note 17)**	**7,156**

Notes to the Accounts

1. Accounting Policies

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

B Accounting Concepts and Principles

The Code of Practice outlines the main concepts of 'going concern' and 'accruals', which require to be considered in the application of accounting policies. The going concern concept assumes that the Council will continue in operational existence for the foreseeable future. The accruals concept requires the Council to recognise items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria for those elements in the Code. The Code also refers to qualitative characteristics of 'understandability', 'relevance', 'materiality', 'reliability' and 'comparability' that make the information provided in the financial statements useful to users. Reference is also made to the 'primacy of legislative requirements', which reiterates the overriding principle of local authority accounts that where an accounting treatment is prescribed by law then it must be applied, even if it contradicts one or other of the accounting concepts outlined above. Similarly, if legislation prohibits a particular treatment in the financial statements, then it cannot be applied.

C Accruals of Income and Expenditure

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

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

Where the Council is acting as an agent for another party (e.g. in the collection of NNDR and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

D Acquisitions and Discontinued Operations

The Council has neither acquired nor discontinued any operations (or transferred operations under machinery of government arrangements) during the financial year.

E Cash and Cash Equivalents

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

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

F Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

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

G Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, or loans fund principal charges]. Depreciation, revaluation and impairment losses and amortisations are therefore replaced in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

H Construction Contracts

Work in progress under construction contracts is accounted for using the percentage of completion method. Contract revenue is matched with contract costs incurred in reaching the state of completion at the balance sheet date.

I Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

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

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

Post Employment Benefits

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

- The 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.
- 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.

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

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

The Local Government Pension Scheme

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

- The liabilities of the Falkirk Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% based on the indicative rate of return on high quality corporate bonds (iBoxx Sterling Corporates AA Over 15 Years Index).

- The assets of the Falkirk Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value.
- The change in the net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
    - Contributions paid to the Falkirk Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

J Events After the Reporting Period

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

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

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

K Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

L Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Instruments 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 to 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.

<u>Financial Guarantees</u>

The Council is currently a signatory to the Local Government Pension Scheme admission agreements for Active Stirling Ltd and Forth Valley GIS Ltd. The agreements require the Council to make good any pension under-funding position in the event of the companies being wound up. As at 31 March 2011, the Council's share of the pension deficit of Active Stirling Ltd (41.7%) was £0.382m (2009/10, £0.913m) and Forth Valley GIS Ltd (33.3%) was £0.166m (2009/10, £0.322m). 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.

M Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

<u>Loans and Receivables</u>

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

During 2010/11, the Council provided a bridging loan of £0.140m to a voluntary organisation at less than market rates (soft loans). However, given the low prevailing market interest rates, this has been deemed immaterial for the purposes of soft loan accounting requirements within note 48 (Financial Instruments).

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

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

<u>Available-for-Sale Assets</u>

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for –Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

N Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

O Government Grants and Contributions

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

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

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

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

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

P Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Q Interests in Companies and Other Entities

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

R Inventories

Inventories are generally included in the Balance Sheet at the lower of cost and net realisable value. Certain inventories have been valued at latest invoice price. The difference between the policy adopted for inventories and that required by the Accounting Code of Practice is not considered material.

S Investment Properties

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

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

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

T Jointly Controlled Operations and Jointly Controlled Assets

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

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

U Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

<u>The Council as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

Operating Leases

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

<u>The Council as Lessor</u>

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and requires to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset.

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

Operating Leases

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

V Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

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

W Property, Plant and Equipment

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

<u>Recognition</u>

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

<u>Measurement</u>

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

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

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

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

<u>Impairment</u>

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

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

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

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

<u>Disposals</u>

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 30-50 years depending on the type of infrastructure asset (e.g. road, bridge etc).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

X Private Finance Initiative (PFI) and Similar Contracts

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

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. In relation to the Stirling Schools PPP contract, the liability was written down by an initial capital contribution of £35.4m.

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

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

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

Y Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Z Reserves

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

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

AA Revenue Expenditure Funded from Capital under Statute

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

AB VAT

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

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

In June 2009, the Accounting Standards Board issued a new accounting standard – Financial Reporting Standard (FRS) 30 'Heritage Assets'. FRS 30 applies to all heritage assets that are held and maintained by an entity principally for their contribution to knowledge and culture. Heritage assets can have historical, artistic, scientific, geophysical or environmental qualities.

For Stirling Council, the assets involved are outlined in note 33 on page 89 and include various statues, war memorials, clock towers, fountains and the Wallace Monument. In 2010/11, these assets have been accounted for as Community Assets within Property, Plant & Equipment and are carried on the balance sheet at a nominal valuation of £1.

The adoption of FRS30 by the Council in 2011/12 will result in a change of accounting policy, and will require the recognition of heritage assets as a separate class of asset for the first time. The carrying value to be reclassified as heritage assets in 2011/12 is still to be derived but it is expected that there will be a material gain on reclassification. It should be noted that the Wallace Monument would continue to be carried on the balance sheet at a nominal valuation of £1 as it is subject to a lease arrangement.

3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- 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 had been made in the accounts to meet final outstanding legal costs and these were paid during 2010/11.
- At the end of 2009/10, it was necessary to review the Council's equal pay 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. During 2010/11 an initial sum of £0.49m was paid to male manual workers. Further review of the residual provision of £3.44m as at 31 March 2011 has been carried out, and has been deemed sufficient to cover all liabilities that may arise in the future, with no requirement to disclose any further contingent liability.

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

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The Council has made a provision of £3.443m for the settlement of potential equal pay claims including those that may arise from the decision in the Redcar & Cleveland Borough Council v Bainbridge case, which examined the issue of employee cash conservation arrangements. It is not certain as to the potential extent (if any) of valid claims that may be received by the Council. 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.	Any increase in potential claims over and above the £3.443m provision will have a direct impact on the net cost of services within the Comprehensive Income & Expenditure Statement.
	The Council has made provision of £0.799m in relation to the self-funded elements of Property, Liability and Motor claims which remain unsettled as at 31 March 2011. Although the current provision has been deemed sufficient to cover known liabilities that may arise in the foreseeable future, it is not certain as to the potential extent of future claims that may be received by the Council.	Any increase in potential claims over and above the £0.799m provision will have a direct impact on the net cost of services within the Comprehensive Income & Expenditure Statement.
	The Council has made provision of £9.283m in relation to outstanding debtor balances (see note 38). Based on current collection rates the provision is deemed sufficient to cover all liabilities that may arise in the future. However, in the current economic climate it is not certain that such provisions will continue to be sufficient.	If debtor collection rates were to deteriorate, consideration would need to be given to further reviewing the criteria for calculating provisions and the provision levels held.

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Hymans Robertson) is engaged to provide the Council with expert advice about the assumptions to be applied.	Although the effect on the net pension liability of changes in individual assumptions can be measured, the assumptions interact in complex ways. For example, any movements in corporate bond yields and inflation expectations can have a significant impact on the real discount rate used to calculate pension liabilities. This in turn can have a substantial impact on the IAS19 balance sheet position.
Property, Plant & Equipment	Estimation of the fair values and useful lives of assets are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may require the Council to review current spending levels on asset repairs and maintenance, bringing into doubt fair values and useful lives assigned to assets.	Any significant change in spending levels on repairs and maintenance would require a review of asset lives, thereby impacting directly on the valuation of assets. For example, if the useful lives of assets were to be reduced this would result in depreciation increasing and the carrying amounts of assets falling.

5. First time adoption of International Financial Reporting Standards

These financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. The Code requires that for the first time, Local Authority accounts in 2010/11 should be prepared in accordance with International Financial Reporting Standards (IFRS) except in instances where the Code allows departures, and the comparative figures for the 2008/09 and 2009/10 Balance Sheets as well as the 2009/10 Comprehensive Income and Expenditure Statement (CIES) should be restated from UK Generally Accepted Accounting Principles (UK GAAP) where required. The reconciliation to IFRS from the previous UK GAAP accounts is summarised in the tables below.

Although the general requirement is to apply the requirements of IFRS retrospectively, IFRS 1 permits limited exceptions to this requirement. The Code clearly specifies which exemptions from retrospective application are available to local authorities. Therefore, Stirling Council has made use of the following exemptions available under the Code:

Depreciated Historical Cost - The Revaluation Reserve was first introduced in the SORP on 1 April 2007. As part of the transition arrangements to the Revaluation Reserve, the SORP required the reserve to be established with a zero balance on 1 April 2007. The carrying amounts of an authority's assets were deemed to be their depreciated historical cost. The Code preserves this treatment. Paragraph 10.1.1.8 of the Code states that the depreciated historical cost of an asset at 1 April 2009 (the transition date) is its depreciated historical cost at 31 March 2009 under the SORP. With the exception of assets where the carrying amount is restated due to other accounting policy changes (for example, leased assets and non-current assets held for sale), authorities should carry forward depreciated historical cost figures without any restatement. Without this exception, the retrospective application of International Accounting Standard 16 (IAS 16) would have required authorities to have estimated the revaluation reserve balance for each item of property, plant and equipment based on the transactions and events that had occurred since the asset was recognised on the Balance Sheet

Restatement of Stirling Council's 2008/09 UK GAAP Balance Sheet on an IFRS basis

	2008/09 UK GAAP Balance sheet	Adjustment 1 – IAS 20	Adjustment 2 – IAS 40 & IAS 16 & IFRS 5	Adjustment 3 – IFRIC 12	Adjustment 4 – IAS 19	Adjustment 5 – IAS 7	Adjustment 6 – IAS 37	Other SORP Based Audit Adjs	IFRS based balance sheet on 1 April 2009
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Non-Current Assets									
PPE – Other Land & Buildings	262,257		8,066	158,115					428,438
PPE – Surplus Assets	2,092		(1,264)						828
Investment Property	12,685		(8,066)						4,619
Assets Held for Sale	0		1,264						1,264
Long Term Investments	4,922							270	5,192
Long Term Debtors	47,781			(37,669)					10,112
Current Assets									
Debtors	15,822			(1,361)				67	14,528
Short Term Investments	12,817					(12,836)		19	0
Cash and Bank/ Cash and Cash Equivalents	34					12,587			12,621
Current Liabilities									
Short Term Borrowing	(283)							(1,474)	(1,757)
Short Term Creditors	(32,879)			(1,613)	(6,869)			1,378	(39,983)
Provisions	(6,941)						4,032		(2,909)
Bank Overdraft	(249)					249			0
Long Term Liabilities									
Government Grants/Contributions Deferred	(68,451)	68,451							0
Finance Lease Liability	0			(75,595)					(75,595)
Capital Grants Receipts In Advance	0	(3,009)							(3,009)
Provisions	0						(4,032)		(4,032)
Reserves									
General Fund	(12,989)							(260)	(13,249)
Revaluation Reserve	(139,344)			(45,161)				51	(184,454)
Capital Adjustment Account	(252,416)	(51,019)		3,284				(51)	(300,202)
Capital Grants Unapplied Account	0	(14,423)							(14,423)
Accumulating Compensated Absences Adjustment Account	0				6,869				6,869

Adjustment 1 – *IAS 20 Accounting for Government Grants and disclosure of Government assistance* – Under IFRS accounting the Council is required to recognise all grant income in its entirety at the point at which it is received. Therefore all deferred government grants have been written out of the liabilities in the balance sheet, recognised through the CIES and subsequently transferred from the General Fund to the Capital Adjustment Account, Capital Grants Receipts In Advance and/or Capital Grants Unapplied Account.

Adjustment 2 – IAS 40 *Investment Property* – Under the strict criteria of IAS 40 the Council had £8.066m of property which had to be re-categorised out of investment property because it did not meet the IFRS requirements to be classified as such. IAS 40 also requires all revaluation gains and losses arising from investment properties to be recognised in the CIES. Statutory mitigation has been put in place to allow Councils to reverse the impact of these gains and losses from the General Fund to the CAA in order to avoid the Council Tax payer being liable for any losses. Under UK GAAP the gains and losses on revaluation went through the Revaluation Reserve, and as such there was a requirement under IFRS to transfer this balance to the CAA for the reason explained above. No revaluation gains/losses arose from Investment Properties
.

IAS 16 and IFRS 5 – *Non Current Assets Held For Sale* - Assets re-classified as held for sale under IFRS require to be disclosed separately on the Balance Sheet. Under the strict criteria of IFRS 5 the Council had £1.264m of assets, which had to be re-categorised out of Surplus Assets because they met the IFRS requirements to be classified as Assets Held For Sale, i.e. Available for immediate sale in its present condition.

- The sale must be highly probable.
- The assets must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should expect to be completed within one year of the date of classification.

Adjustment 3 – *IFRIC 12 Service Concessions* **-** From 1st April 2009, the method of accounting for PFI/PPP schemes changed. 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 main impact of these changes on the Council's Balance Sheet is that land & buildings assets increased by £158.1m in 2008/09, with the creation of a Finance Lease creditor of £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.

Adjustment 4 – IAS 19 *Employee Benefits* – Under this IFRS accounting standard, Councils are required to recognise a liability for all holiday pay entitlement that employees had accrued at the financial year end. This liability reflects the difference between the holiday entitlement earned at 31 March and the actual amount of holidays taken. For Stirling Council, the excess of holiday entitlement earned over the holidays actually taken by 31 March has resulted in a liability of £6.869m. The Scottish Government has introduced Statutory Mitigation for this additional cost so that its negative impact can be removed from the General Fund and transferred to a new Accumulating Compensated Absences Adjustment Account. This has been reflected in the adjustment above.

Adjustment 5 – IAS 7 *Cash Flow Statement* – Under IFRS the Council must show cash and cash equivalents as a single balance on the face of the Balance Sheet. Cash and cash equivalents include the bank balances, petty cash, overdrafts (if they are integral to the cash management of the organisation) and investments due to mature within 3 months of the balance sheet date. Therefore an adjustment was made to consolidate the cash balance with the short-term investment and overdraft balances as they were considered by the Council to be integral to the day-to-day cash management of the organisation.

Adjustment 6 – IAS 37 *Provisions, contingent liabilities and contingent assets* – An adjustment has been made to reflect that fact that under IFRS, provisions must be split between current and non-current, which is determined by the expected timescales for the settlement of the liability

Other SORP Based Audit Adjustments – These represent prior years' unadjusted errors arising from the audit of the accounts.

Reconciliation of Stirling Council's 1 April 2009 IFRS Balance Sheet to the 2009/10 IFRS Balance Sheet

	1 April 2009 IFRS Balance sheet	UK GAAP in-year balance sheet movements	Adjustment 1 – IAS 20	Adjustment 2 IAS 16 & IFRS 5	Adjustment 3 – IFRIC 12	Adjustment 4 – IAS 19	Adjustment 5 – IAS 7	Adjustment 6 – IAS 37	IFRS based balance sheet on 1 April 2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Non-Current Assets									
PPE – Other Land & Buildings	428,438	24,724			5,918				459,080
PPE – Surplus Assets	828	(66)		(104)					658
Assets Held for Sale	1,264			82					1,346
Current Assets									
Assets Held For Sale				38					38
Short Term Investments	0	4,116					(4,116)		0
Cash and Bank/ Cash and Cash Equivalents	12,621	(12,592)					319		348
Current Liabilities									
Short Term Creditors	(39,983)	4,006			(269)	(315)			(36,561)
Provisions	(2,909)	2,166						(100)	(843)
Bank Overdraft	0	(3,797)					3,797		0
Long Term Liabilities									
Finance Lease Liability	(75,595)				1,882				(73,713)
Capital Grants/Contributions Unapplied	0	(4,883)	4,883						0
Capital Grants Receipts In Advance	(3,009)		3,009						0
Provisions	(4,032)							100	(3,932)
Reserves									
Revaluation Reserve	(184,454)	(14,886)			(8,389)				(207,729)
Capital Adjustment Account	(300,202)	(5,554)	(21,529)	(16)	858				(326,443)
Capital Grants Unapplied Account	(14,423)		13,637						(786)
Accumulating Compensated Absences Adjustment Account	6,869					315			7,184

Adjustment 1 – *IAS 20 Accounting for Government Grants and disclosure of Government assistance* – Under IFRS accounting the Council is required to recognise all grant income in its entirety at the point at which it is received. Therefore all deferred government grants received in 2009/10 have been written out of the liabilities in the balance sheet, recognised through the CIES and subsequently transferred from the General Fund to the Capital Adjustment Account and Capital Grants Unapplied Accounts as required. During the year new capital contributions of £4.883m were transferred to Capital Adjustment Account as all related expenditure had been incurred. For the same reason, balances of £3.009m and £13.637m were also transferred from Capital Grants Receipts In Advance and Capital Grants Unapplied respectively to the Capital Adjustment Account.

Adjustment 2 – Current / (*Non) Current Assets Held For Sale* - Assets re-classified as held for sale under IFRS require to be disclosed separately on the Balance Sheet. Under the strict criteria of IFRS 5 the Council had £0.120m of assets, which had to be re-categorised out of Surplus Assets because they met the IFRS requirements to be classified as Assets Held For Sale. Based on the expected timescale for completion of the respective sales, £0.082m of assets were reclassified as non current assets held for sale (sale not expected within one year), with £0.038m being reclassified as current assets held for sale (sale expected within one year). Previous depreciation on surplus assets of £0.016m was written back to asset values through the Capital Adjustment Account.

Adjustment 3 – *IFRIC 12 Service Concessions* **-** During 2009/10, Schools PFI/PPP land assets were revalued resulting in an increase of £8.389m to Other Land & Buildings in the Balance Sheet and a corresponding entry in the Revaluation Reserve. Depreciation on PFI/PPP school buildings of £2.471m was charged to CIES during 2009/10. The finance lease liability, which represents the Council's commitment to make future payments under the contracts reduced by the 2009/10 payment of £1.613m.

Adjustment 4 – IAS 19 *Employee Benefits* – Under this IFRS accounting standard, Councils are required to recognise a liability for all holiday pay entitlement that employees had accrued at the financial year end. This liability reflects the difference between the holiday entitlement earned at 31 March and the actual amount of holidays taken. The excess of holiday entitlement earned over the holidays actually taken by 31 March has resulted in a liability of £7.184m. The Scottish Government has introduced Statutory Mitigation for this additional cost so that its negative impact can be removed from the General Fund and transferred to a new Accumulating Compensated Absences Adjustment Account. At 31 March 2010, the holiday pay accrual was re-calculated and was found to have increased by £0.315m. As a result this adjustment is to reflect the increase in the accrual, and a debit to the Accumulating Compensated Absences Adjustment Account to reflect the increase.

Adjustment 5 – IAS 7 *Cash Flow Statement* – Under IFRS the Council must show cash and cash equivalents as a single balance on the face of the Balance Sheet. Cash and cash equivalents include the bank balances, petty cash, overdrafts (if they are integral to the cash management of the organisation) and investments due to mature within 3 months of the balance sheet date. Therefore an adjustment was made to consolidate the cash balance with the short-term investments and overdraft balances as they were considered by the Council to be integral to the day-to-day cash management of the organisation.

Adjustment 6 – IAS 37 *Provisions, contingent liabilities and contingent assets* – An adjustment has been made to reflect that fact that under IFRS, provisions must be split between current and non-current, which is determined by the expected timescales for the settlement of the liability.

Reconciliation of Stirling Council's 2009/10 SORP based Income and Expenditure Account to an IFRS based Comprehensive Income and Expenditure Statement

	£000	**£000**
Deficit on Provision of Services for year ended 31 March 2010 (SORP)		**7,491**
IAS 20 Adjustment - *Accounting for Government Grants and disclosure of Government assistance* - Recognition of all the income received in capital grants during 2009/10 (£11.201m) offset by the reversal of the government grant amortisation credited to service expenditure as applied under the SORP (£3.309m).	(7,892)	
IAS 16 Adjustment – *Property, Plant and Equipment* – Reversal of £0.017m depreciation relating to assets re-categorised as Assets Held For Sale during 2009/10.	(17)	
IAS 19 Adjustment – *Employee Benefits* – The holiday pay accrual was re-calculated at the 2009/10 year-end and this resulted in a net increase of £0.315m on the liability. This adjustment is to reflect the movement on the accrual during the year, which has resulted in a debit to the CIES.	315	
Total Value of Code IFRS Adjustments		(7,594)
Surplus on Provision of Services for year ended 31 March 2010 (Code basis)		**(103)**

6. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

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

Adjustments made in 2010/11:

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(27,739)	(6,592)			34,331
Movements in the market values of Investment Properties	(674)				674
Amortisation of intangible assets	(152)				152
Capital grants and contributions that have been applied to capital financing	5,647				(5,647)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(295)	(2,049)			2,344
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	9,623	1,053			(10,676)
Capital expenditure charged against the General Fund and HRA balances	2,084	5,737			(7,821)
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	453	2,401	(2,854)		
Use of the Capital Receipts Reserve to finance new capital expenditure			2,974		(2,974)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(37)	(180)	217		

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustment involving the Capital Grants Unapplied Account					
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	296			(296)	
Application of grants to capital financing				785	(785)
Adjustments involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	79				(79)
Adjustments involving the Pensions Reserve					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (note 26)	14,178	1,220			(15,398)
Employer's pensions contributions and direct payments to pensioners payable in the year	13,121	993			(14,114)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,120)	(80)			1,200
Total Adjustments	**15,464**	**2,503**	**337**	**489**	**(18,793)**

Comparative adjustments made in 2009/10:

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(11,751)	(2,633)			14,384
Amortisation of intangible assets	(132)				132
Capital grants and contributions that have been applied to capital financing	11,201				(11,201)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(887)	(1,140)			2,027
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	8,953	700			(9,653)
Capital expenditure charged against the General Fund and HRA balances	1,359	4,209			(5,568)
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	550	1,337	(1,887)		
Use of the Capital Receipts Reserve to finance new capital expenditure			1,544		(1,544)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(35)	(148)	183		
Adjustment involving the Capital Grants Unapplied Account					
Application of grants to capital financing				13,638	(13,638)

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	80				(80)
Adjustments involving the Pensions Reserve					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (note 26)	(22,282)	(1,514)			23,796
Employer's pensions contributions and direct payments to pensioners payable in the year	12,310	765			(13,075)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(302)	(12)			314
Total Adjustments	**(936)**	**1,564**	**(160)**	**13,638**	**(14,106)**

7. **Movement in Reserves Statement – Transfers to/from Other Statutory Reserves**

This note sets out the amounts set aside from the General Fund and HRA balances in other statutory reserves to provide financing for future expenditure plans and the amounts posted back from other statutory reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1 April 2010 £000	**Transfers Out 2010/11 £000**	**Transfers In 2010/11 £000**	**Balance at 31 March 2011 £000**	**Purpose of the Statutory Reserve**
General Fund Earmarked Reserves	(6,513)	3,083	(4,329)	(7,759)	Elements of General Fund Reserves which are earmarked for specific purposes
Repairs & Renewals Fund – Waste Transfer Station	(200)	-	-	(200)	To allow for repair costs to the Waste Transfer Station at Polmaise Landfill Site
Repairs & Renewals Fund – Sports Facilities	(141)	-	(260)	(401)	To allow for major repair costs to the Council's sports facilities
Repairs & Renewals Fund – Council Dwellings	(250)	250	-	-	To allow for excess repair costs to Council dwellings in the event of severe weather conditions
Insurance Reserve	(1,436)	506	-	(930)	As required by the Local Govt Scotland Act 1994 to meet certain insurance liabilities
Total	**(8,540)**	**3,839**	**(4,589)**	**(9,290)**	

	£000
Total transfers out during 2010/11	3,839
Total transfers in during 2010/11	(4,589)
Net Movement in Other Statutory Reserves during 2010/11	**(750)**

The following note provides an analysis of General Fund Earmarked Reserves:

	Balance at 1 April 2010 £000	Use of Balances 2010/11 £000	New Balances 2010/11 £000	Balance at 31 March 2011 £000
Central Energy Efficiency Fund (energy efficiency initiatives)	-	-	(153)	(153)
Fairer Scotland Fund monies	(285)	263	-	(22)
Drummond House & Munro Road (dilapidations works)	-	-	(115)	(115)
Communities & Culture Initiatives (Archives dilapidations & various grant funded initiatives)	(46)	-	(219)	(265)
Economy, Employment & Youth Initiatives (various grant funded initiatives)	(201)	201	(231)	(231)
Educational Initiatives (various grant funded initiatives)	-	-	(491)	(491)
Department of Works & Pensions Recession Fund monies	-	-	(96)	(96)
Governance Initiatives (for investment in Veterans Day & Andrew De Moray Memorial)	-	-	(27)	(27)
Council Tax Discount on 2nd Homes (for reinvestment in affordable housing)	(2,091)	1,544	(427)	(974)
Strategic Housing Account (for reinvestment in affordable housing)	-	-	(1,332)	(1,332)
Public Sector Housing Grant monies	(123)	123	-	-
Improvement & Customer Services Initiatives (various grant funded initiatives)	-	-	(23)	(23)
Zero Waste Fund monies	(551)	180	-	(371)
Planning, Regulation & Waste Initiatives (various grant funded initiatives)	-	-	(15)	(15)
Roads, Transport & Open Space Initiatives (Winter Weather, Potholes & other grant funded initiatives)	(109)	109	(403)	(403)
Social Care Initiatives (various grant funded initiatives)	(53)	26	(26)	(53)
Schools PPP Grant monies	(1,183)	300	-	(883)
Stirling Development Agency Ltd Loan Investment Income	(1,069)	-	(257)	(1,326)
Other Corporate Initiatives (Earlsburn Windfarm, Safety Camera, Data Sharing initiatives)	(648)	183	(82)	(547)
Scheme of Devolved Budget Management to Schools and Services Within Education	(154)	154	(432)	(432)
Total	**(6,513)**	**3,083**	**(4,329)**	**(7,759)**

8. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2009/10 £000		2010/11 £000
323	Gains/losses on the disposal of non current assets	(293)
(10)	Gains/losses on trading operations (note 20)	(19)
313	**Total**	**(312)**

9. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
14,876	Interest payable and similar charges	14,990
(1,277)	Interest receivable and similar income	(865)
7,071	Pensions interest cost and expected return on pensions assets	5,204
-	Net (gain)/loss on Investment Property revaluations	674
20,670	**Total**	**20,003**

10. Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Incomes

2009/10 £000		2010/11 £000
(43,990)	Council tax income	(44,053)
(37,118)	Non domestic rates	(35,354)
(133,573)	Non-ringfenced government grants	(140,608)
(11,201)	Capital grants and contributions	(5,944)
(225,882)	**Total**	**(225,959)**

11. Comprehensive Income and Expenditure Statement – Material Items of Income and Expense not specifically detailed:

2009/10 £000		2010/11 £000
2,904	Net Severance Costs	5,049
7,184	Compensated Absence Accrual (Employee Benefit: Holiday Pay Accrual)	8,384
(11,201)	IFRS Capital Grants credited to Comprehensive Income and Expenditure Statement	(5,944)
(1,113)	**Total**	**7,489**

12. Balance Sheet – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 6 and 7.

13. Balance Sheet – Unusable Reserves

31 March 2010 £000		31 March 2011 £000
(207,729)	Revaluation Reserve	(194,485)
(326,443)	Capital Adjustment Account	(316,611)
2,994	Financial Instruments Adjustment Account	2,915
198,637	Pensions Reserve	125,312
7,184	Accumulating Compensated Absences Adjustment Account	8,384
(325,357)	**Total Unusable Reserves**	**(374,485)**

Revaluation Reserve

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

- Re-valued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

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

2009/10 £000		**2010/11 £000**	
(184,454)	**Balance at 1 April**		**(207,729)**
(33,480)	Upward revaluation of assets	(31,913)	
9,025	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	45,391	
(24,455)	Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement		13,478
(648)	Difference between fair value depreciation and historical cost depreciation		(699)
1,828	Amount written off to the Capital Adjustment Account		465
(207,729)	**Balance at 31 March**		**(194,485)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

The Council achieved no relevant investment gains during 2009/10 or 2010/11.

<u>Capital Adjustment Account</u>

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2009/10 £000		2010/11 £000	
(300,202)	**Balance at 1 April**		**(326,443)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
14,384	• Charges for depreciation and impairment of non current assets	34,331	
132	• Amortisation of intangible assets	152	
2,027	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,344	
16,543			**36,827**
(1,181)	Adjusting amounts to/(from) the Revaluation Reserve		234
15,362	**Net written out amount of the cost of non current assets consumed in the year**		**37,061**
	<u>Capital financing applied in the year:</u>		
(1,544)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(2,974)	
(13,637)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(785)	

2009/10 £000		**2010/11 £000**	
(11,201)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(5,647)	
(9,653)	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,676)	
(5,568)	• Capital expenditure charged against the General Fund and HRA balances	(7,821)	
(41,603)			**(27,903)**
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		674
(326,443)	**Balance at 31 March**		**(316,611)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 37 years.

2009/10 £000		**2010/11 £000**	
3,074	**Balance at 1 April**		**2,994**
(80)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(79)	
(80)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(79)
2,994	**Balance at 31 March**		**2,915**

Pensions Reserve

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

2009/10 £000		**2010/11 £000**
84,603	**Balance at 1 April**	**198,637**
103,313	Actuarial gains or losses on pensions assets and liabilities	(43,813)
23,796	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(15,398)
(13,075)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,114)
198,637	**Balance at 31 March**	**125,312**

Accumulating Compensated Absences Adjustment Account

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

2009/10 £000		2010/11 £000	
6,869	**Balance at 1 April**		**7,184**
(6,869)	Settlement or cancellation of accrual made at the end of the preceding year	(7,184)	
7,184	Amounts accrued at the end of the current year	8,384	
315	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,200
7,184	**Balance at 31 March**		**8,384**

14. **Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
(24)	Interest received	(29)
14,869	Interest paid	15,056
(500)	Dividends received	(150)

15. Cash Flow Statement – Investing Activities

2009/10 £000		2010/11 £000
33,884	Purchase of property, plant and equipment, investment property and intangible assets	31,088
(1,848)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,839)
(8,732)	Other receipts from investing activities	(5,548)
23,304	**Net cash flows from investing activities**	**22,701**

16. Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
(13,780)	Cash receipts of short and long-term borrowing	(25,200)
(739)	Other receipts from financing activities	-
1,612	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,882
9,358	Repayments of short and long-term borrowing	20,181
-	Other payments for financing activities	627
(3,549)	**Net cash flows from financing activities**	**(2,510)**

17. Cash Flow Statement – Cash and Cash Equivalents

2009/10 £000		2010/11 £000
29	Cash held by officers	29
(3,797)	Bank current accounts	(2,385)
4,116	Short-term deposits	9,512
348	**Total cash and cash equivalents**	**7,156**

Short-term deposits at 31 March 2011 comprised: Santander UK (£4.503m), The Royal Bank of Scotland (£3.009m) and Debt Management Office (£2.000m).

18. **Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Best Value Accounting Code of Practice. However, resource allocation decisions are taken by the Council on the basis of budget reports analysed across all of the Council's service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Account)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure and income relating to support services is excluded

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

Income and Expenditure Council Management Structure 2010/11	**Assets, Property & Facilities Mgt £000**	**Chief Executive's Office £000**	**Communities and Culture £000**	**Education £000**	**Economy, Employment & Youth £000**	**Finance & Procurement £000**	**Governance £000**	**Housing £000**
Fees, charges & other service income	(6,741)	(567)	(1,149)	(7,027)	(1,491)	(501)	(50)	(4,548)
Government grants	-	(38)	(127)	(567)	(699)	(19,807)	(122)	(455)
Total Income	**(6,741)**	**(605)**	**(1,276)**	**(7,594)**	**(2,190)**	**(20,308)**	**(172)**	**(5,003)**
Employee expenses	4,070	1,606	3,485	61,069	3,916	2,255	1,566	1,584
Other service expenses	6,934	2,617	5,107	33,659	2,465	19,822	645	6,557
Total Expenditure	**11,004**	**4,223**	**8,592**	**94,728**	**6,381**	**22,077**	**2,211**	**8,141**
Net Expenditure	**4,263**	**3,618**	**7,316**	**87,134**	**4,191**	**1,769**	**2,039**	**3,138**

Income and Expenditure Council Management Structure 2010/11	**Improvement & Customer Services £000**	**Planning, Regulation & Waste £000**	**Roads, Transport & Open Space £000**	**Social Care £000**	**Trading Operations £000**	**Total £000**
Fees, charges & other service income	(1,092)	(9,161)	(5,029)	(12,108)	(18,424)	**(67,888)**
Government grants	(9)	(102)	(6)	(92)	-	**(22,024)**
Total Income	**(1,101)**	**(9,263)**	**(5,035)**	**(12,200)**	**(18,424)**	**(89,912)**
Employee expenses	10,347	6,251	5,313	18,150	7,762	**127,374**
Other service expenses	366	12,933	13,746	33,702	9,805	**148,358**
Total Expenditure	**10,713**	**19,184**	**19,059**	**51,852**	**17,567**	**275,732**
Net Expenditure	**9,612**	**9,921**	**14,024**	**39,652**	**(857)**	**185,820**

Income and Expenditure Council Management Structure 2009/10 Comparative Figures	**Assets, Property & Facilities Mgt £000**	**Chief Executive's Office £000**	**Communities and Culture £000**	**Education £000**	**Economy, Employment & Youth £000**	**Finance & Procurement £000**	**Governance £000**	**Housing £000**
Fees, charges & other service income	(5,333)	(719)	(1,208)	(4,505)	(1,530)	(511)	(56)	(5,030)
Government grants	-	(752)	(62)	(583)	(623)	(18,135)	(116)	(1,480)
Total Income	**(5,333)**	**(1,471)**	**(1,270)**	**(5,088)**	**(2,153)**	**(18,646)**	**(172)**	**(6,510)**
Employee expenses	4,249	1,616	3,539	59,374	3,599	2,253	1,545	1,869
Other service expenses	4,788	2,251	5,141	30,968	2,319	17,953	669	7,382
Total Expenditure	**9,037**	**3,867**	**8,680**	**90,342**	**5,918**	**20,206**	**2,214**	**9,251**
Net Expenditure	**3,704**	**2,396**	**7,410**	**85,254**	**3,765**	**1,560**	**2,042**	**2,741**

Income and Expenditure Council Management Structure 2009/10 Comparative Figures	**Improvement & Customer Services £000**	**Planning, Regulation & Waste £000**	**Roads, Transport & Open Space £000**	**Social Care £000**	**Trading Operations £000**	**Total £000**
Fees, charges & other service income	(1,239)	(9,296)	(4,653)	(12,079)	(18,296)	**(64,455)**
Government grants	48	(66)	(4)	56	-	**(21,717)**
Total Income	**(1,191)**	**(9,362)**	**(4,657)**	**(12,023)**	**(18,296)**	**(86,172)**
Employee expenses	10,430	6,433	5,316	18,224	5,802	**124,249**
Other service expenses	487	12,654	12,029	33,081	11,668	**141,390**
Total Expenditure	**10,917**	**19,087**	**17,345**	**51,305**	**17,470**	**265,639**
Net Expenditure	**9,726**	**9,725**	**12,688**	**39,282**	**(826)**	**179,467**

Reconciliation of Council Management Structure Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Council Management Structure income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000	**2010/11 £000**
Net expenditure in the Council Management Structure Analysis	179,467	185,820
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management	24,794	4,428
Amounts reported to Management not included in the Comprehensive Income and Expenditure Statement	535	(1,641)
Cost of Services in Comprehensive Income and Expenditure Statement	**204,796**	**188,607**

Reconciliation of Council Management Structure Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

	2009/10 £000	2010/11 £000
Net expenditure in the Council Management Structure Analysis	**179,467**	**185,820**
Net Internal Trading Adjustments	(83)	(359)
Police Services	9,009	8,096
Fire Services	5,410	4,604
Other Operating Income & Expenditure	1,836	1,399
Housing Revenue Account	(3,990)	752
Significant Trading Operations Internal Works	(955)	(550)
Depreciation	15,624	15,521
Impairments	(3,801)	12,272
Employee Benefit Accruals Movement	302	1,120
IAS19 Pension Adjustments	(5,609)	240
PFI/PPP Adjustments	(7,568)	(7,853)
Severance Costs (General Fund)	2,904	4,213
Non Distributed Costs	11,412	(32,982)
Repair & Renewals Fund Transfer	(141)	(260)
Earmarked Balances Adjustments	-	(2,214)
Council Tax 2nd Homes Transfer	441	427
Interest Adjustments	3	2
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management	**24,794**	**4,428**
Significant Trading Operations	965	569
Significant Trading Operations Loan Charges Adjustment	(633)	(795)
Capital Financed From Revenue (General Fund)	(1,359)	(2,083)
Earmarked Balances Adjustments	60	(429)
Revenue Support Grant Adjustments	1,371	1,489
Schools Devolved Budget Management Movements	(55)	(278)
Other Adjustments - Energy, Voluntary Severance, Single Status, Refurbishments, Bad Debt Provisions	186	(114)
Amounts reported to Management not included in the Comprehensive Income and Expenditure Statement	**535**	**(1,641)**
Cost of Services in the Comprehensive Income and Expenditure Statement	**204,796**	**188,607**

19. Acquired and Discontinued Operations

Where operations have been acquired or discontinued in the year, disclosure is required of the nature of the acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations. During 2009/10 and 2010/11, there were no acquired or discontinued operations.

20. Trading Operations

The Council has established 4 Significant Trading Operations (STOs), which are required to operate in a commercial environment and balance their budgets by generating income from other parts of the Council or other organisations. Details of the 4 STO activities for the three years to 2010/11 are as follows:

		2008/09		2009/10		2010/11	
		£000	£000	£000	£000	£000	£000
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 performance and resources, the STO continues to bid for external contracts where appropriate.	Turnover	(12,434)		(11,947)		(12,116)	
	Expenditure	11,947		11,251		11,831	
	(Surplus)/Deficit		(487)		(696)		(285)
The trading objective for the financial year was to achieve a surplus of £0.098m. Cumulative surplus over the last three financial years: £1.468m							
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.	Turnover	(2,162)		(2,282)		(2,323)	
	Expenditure	2,110		2,126		2,134	
The trading objective for the financial year was to achieve a surplus of £0.011m. Cumulative surplus over the last three financial years: £0.397m	(Surplus)/Deficit		(52)		(156)		(189)
The Refuse Collection STO principally carries out the fortnightly uplift of domestic refuse and green waste from all Council households.	Turnover	(2,329)		(2,306)		(2,266)	
	Expenditure	2,206		2,286		2,254	
The trading objective for the financial year was to achieve a surplus of £0.007m. Cumulative surplus over the last three financial years: £0.155m	(Surplus)/Deficit		(123)		(20)		(12)

		2008/09 £000	£000	2009/10 £000	£000	2010/11 £000	£000
The Building Cleaning STO provides a cleaning service to a wide variety of Stirling Council and Fire Service buildings.	Turnover	(1,742)		(1,763)		(1,718)	
	Expenditure	2,193		1,677		1,651	
The trading objective for the financial year was to achieve a surplus of £0.004m. Despite achieving a surplus in 2010/11, the charging of equal pay costs in previous years has meant the STO incurring a cumulative deficit over the last three financial years of £0.298m.	(Surplus)/Deficit		451		(86)		(67)
Net surplus on trading operations			**(211)**		**(958)**		**(553)**

The table above is presented exclusively to show whether each STO met its statutory financial target. The figures for 2008/09 and 2009/10 are based on UK Generally Accepted Accounting Practices in line with the legislative requirement for those years. The 2010/11 figures are based on International Financial Reporting Standards as specified in the Code of Practice on Local Authority Accounting. For this reason the figures quoted are not regarded as suitable for trend analysis.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public (eg, refuse collection), whilst others are support services to the Council's services to the public (e.g., building cleaning). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Other Operating Expenditure (see note 8):

	2009/10 £000	**2010/11 £000**
Net surplus on trading operations (including notional Capital and Interest charges)	(958)	(553)
Add back: Notional Capital and Interest Charges	(31)	(16)
Net surplus on trading operations (excluding notional Capital and Interest charges)	(989)	(569)
Services to the public included in Expenditure of Continuing Operations	871	489
Support services recharged to Expenditure of Continuing Operations	84	61
IFRS Restatements	24	-
Net surplus credited to Other Operating Expenditure	(10)	(19)

21. Agency Services

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 2010/11, the Council received £0.233m for providing this service (2009/10 £0.232m). Other agency income of £0.095m received during the year related to new roads and streets works (2009/10 £0.048m).

22. 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.

23. External Audit Costs

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

	2009/10 £000	2010/11 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	292	276
Fees payable in respect of other services provided by the appointed auditor during the year	-	-
Total	**292**	**276**

24. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £5.049m (£2.904m in 2009/10). This sum is split over the following services and numbers of employees who undertook voluntary redundancy as part of a severance exercise undertaken by the Council.

	2009/10		2010/11	
Service	**Number of Employees**	**Termination Benefits £'000**	**Number of Employees**	**Termination Benefits £'000**
Assets, Property & Facilities Management	4	47	12	280
Chief Executive's Office	3	190	2	69
Communities & Culture	8	207	12	261
Economy, Employment & Youth	3	91	10	297
Education	13	350	46	806
Finance & Procurement	1	44	3	95
Governance	3	130	3	110
Housing (Including HRA)	5	209	11	359
Improvement & Customer Service	15	382	30	918
Planning, Regulation & Waste	12	377	19	574
Roads, Transport & Open Space	5	150	8	258
Social Care	39	727	42	529
Significant Trading Operations	-	-	19	493
Totals	**111**	**2,904**	**217**	**5,049**

25. **Pensions Schemes Accounted for as Defined Contribution Schemes**

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

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

In 2010/11, the council paid £5.26m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.9% of pensionable pay. The figures for 2009/10 were £5.17m and 14.9%. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. In 2010/11 these amounted to £0.7m (2009/10, £0.7m). Accrued pension costs at 31 March 2011 amounted to £0.453m (2009/10, £0.006m).

26. **Defined Benefit Pension Schemes**

Participation in pension schemes

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

The Council participates in two post employment schemes:

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

Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme	2009/10	2010/11
	£000	**£000**
Cost of Services:		
• Current service cost	5,334	12,439
• Past service costs/(gains)	3,145	(33,616)
• Settlements & curtailments	8,246	575
Financing and Investment Income and Expenditure:		
• Interest cost	18,699	23,344
• Expected return on scheme assets	(11,628)	(18,140)
Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services	23,796	(15,398)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• Actuarial (gains)/losses	103,313	(43,813)
Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement	127,109	(59,211)
Movement in Reserves Statement:		
• Reversal of net charges/credits made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(23,796)	15,398
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	13,075	14,114

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £73.652m (2009/10, loss of £117.465m).

Assets and liabilities in relation to post employment benefits

Reconciliation of the present value of the scheme liabilities (defined benefit obligation) and the scheme assets is as follows:

Local Government Pension Scheme

	Liabilities			Assets	
	2009/10 £000	2010/11 £000		2009/10 £000	2010/11 £000
Opening balance at 1 April	**(267,035)**	**(448,602)**	**Opening balance at 1 April**	**182,432**	**249,965**
Current service cost	(5,334)	(12,439)	Expected Rate of Return	11,628	18,140
Interest cost	(18,699)	(23,344)	Actuarial gains/(loss)	51,523	3,683
Contributions by scheme participants	(3,517)	(3,570)	Employer contributions	13,075	14,114
Settlements and curtailments	(8,246)	(575)	Contributions by scheme participants	3,517	3,570
Actuarial gains/(loss)	(154,836)	40,130	Benefits Paid	(12,210)	(13,609)
Benefits paid	12,210	13,609			
Past service (costs)/gains	(3,145)	33,616			
Closing balance at 31 March	**(448,602)**	**(401,175)**	**Closing balance at 31 March**	**249,965**	**275,863**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the scheme by £40.778m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

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

The actual return on scheme assets in the year was £21.863m (2009/10, £63.192m).

Basis for estimating assets and liabilities

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

The Local Government Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2008. The principal assumptions used by the actuary are as follows:

	Local Government Pension Scheme	
	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.8%	7.5%
Bonds	5.0%	4.9%
Property	5.8%	5.5%
Cash	4.8%	4.6%
Longevity at 65 for current pensioners - Men	21.6 years	21.6 years
Longevity at 65 for current pensioners - Women	25.0 years	25.0 years
Longevity at 65 for future pensioners - Men	23.1 years	23.1 years
Longevity at 65 for future pensioners - Women	26.6 years	26.6 years
Rate of increase in salaries	5.3%	5.1%
Rate of increase in pensions	3.8%	2.8%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum (pre April 2009 service)	50%	50%
Take-up of option to convert annual pension into retirement lump sum (post April 2009 service)	75%	75%

Scheme history

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000
Present value of liabilities in the Local Government Pension Scheme	(317,176)	(280,761)	(267,035)	(448,602)	(401,175)
Fair value of assets in the Local Government Pension Scheme	239,369	239,004	182,432	249,965	275,863
Deficit in the scheme:	(77,807)	(41,757)	(84,603)	(198,637)	(125,312)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £401.175m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £125.312m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

Total contributions expecting to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £10.947m.

History of experience gains and losses

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

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	(0.8)	(10.0)	(42.0)	20.6	1.3
Experience gains and losses on liabilities	7.4	21.8	12.4	(34.5)	10.0

27. **Events After the Balance Sheet Date**

As a result of decisions taken separately by both Stirling and Clackmannanshire Councils, the winding up of Venture Forth Limited was approved. Venture Forth Limited, which is currently consolidated within the Council's Group Accounts, will be wound up during the 2011/12 financial year.

28. **Related Parties**

The Council is required to disclose material transactions with related parties, being bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government
Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis note 18 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2011 are shown in note 34.

Members
Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in the Remuneration Report.

Members also hold directorships and/or trustee positions on entities controlled or significantly influenced by the Council and these are outlined further in this note. The Council paid a sum of £1.817m to Active Stirling Ltd (2009/10, £1.922m), in which four members held positions on the governing board, for the delivery of sport and leisure services in accordance with the service level agreement between the Council and the company. The Council also paid grants totalling £0.218m (2009/10, £0.218m) to three other organisations in which members either held positions on the governing board or had declared a non-financial interest. In all instances, grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection during Council office hours.

Officers
There were no interests declared by officers in respect of transactions with related parties of the Council.

Other Public Bodies (subject to common control by central government)
The Council participates in a Community Health Partnership (CHP) with NHS Forth Valley. Further details are provided in note 22.

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

The following information fulfils the Council's requirement under the Accounting Code of Practice to disclose all material financial interests in such entities. Those entities considered material enough to be incorporated within the Council's consolidated accounts are outlined in Note 59. The Council 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.

<u>Active Stirling Limited</u>
Stirling Council is obliged by statute to provide sport and leisure services to the community and, until 30 March 2006, did so directly by means of its Sport and Leisure Service. With effect from 31 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 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 March 2011 the company had net liabilities of £0.086m (2009/10, £1.176m) after inclusion of a retirement benefit pension scheme deficit of £0.916m (2009/10, £2.190m). In year ended 31 March 2011 the company achieved an operating surplus of £1.091m (2009/10, deficit of £1.485m) after taking account of an actuarial gain on the retirement benefit pension scheme of £0.739m (2009/10, actuarial loss of £1.959m).

<u>Central Scotland Joint Fire and Rescue Board</u>
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 2010/11, Stirling Council contributed £5.034m (2009/10, £5.410m) to the Board, and its share of the Board's net liabilities as at 31 March 2011 is £31.971m (2009/10, £38.096m). 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 International Accounting Standard 19 (IAS19).

<u>Central Scotland Joint Police Board</u>
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 2010/11, Stirling Council made a net contribution of £8.096m (2009/10, £9.009m) to the Board, and its share of the Board's net liabilities as at 31 March 2011 is £127.988m (2009/10, £151.040m). 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 IAS19.

<u>Central Scotland Valuation Joint Board</u>
Central Scotland Valuation Joint Board was formed by an Act of Parliament at local government reorganisation in 1996. The Board maintains the electoral, council tax and non-domestic rate registers for Stirling, Falkirk and Clackmannanshire Councils. In 2010/11, Stirling Council made a contribution of £0.977m (2009/10, £0.955m) to the Board, and its share of the Board's net liabilities as at 31 March 2011 is £1.192m (2009/10, £2.175m). 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 IAS19.

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 March 2011 the Council held 400 shares of £1 each in the company, representing 50% of the issued share capital. At 31 March 2011 the company had net assets amounting to £2.386m (2009/10, £2.445m). In year ended 31 March 2011 the company achieved a profit before tax of £0.306m (2009/10, £0.244m) and a profit after tax of £0.241m (2009/10, £0.193m). The company paid £0.3m of dividends from reserves during 2010/11, of which the Council received £0.15m (2009/10, £0.5m). At 31 March 2011 the amount loaned by the Council to the company was £0.15m (2009/10, £0.15m).

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 March 2011 the Council held 24 shares of £1 each in the company, representing a 33.3% shareholding. At 31 March 2011 the company had net liabilities of £0.497m (2009/10, £0.750m) after including a retirement benefit pension scheme deficit of £0.497m (2009/10, £0.966m). In year ended 31 March 2011 the company incurred a loss before tax of £0.119m (2009/10, £0.044m) and a loss after tax of £0.117m (2009/10, £0.030m).

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 March 2011 the company had net assets of £nil (2009/10, liabilities £0.250m) after including a retirement benefit pension scheme deficit of £0.090m (2009/10, £0.454m). In year ended 31 March 2011 the company's operating profit was £0.250m (2009/10, loss £0.237m) after taking account of an actuarial gain on the retirement benefit pension scheme of £0.223m (2009/10, loss of £0.457m). The company is exempt from tax as a charity under Section 505 Income and Corporation Taxes Act, 1988.

Raploch Urban Regeneration Company Landholdings Ltd
Raploch Urban Regeneration Company (URC) Landholdings Ltd, a wholly owned subsidiary of Raploch Urban Regeneration Company Ltd is the operating company for the Raploch Regeneration project. The principal activity is the development of the Raploch area into a community where people choose to live, work and visit with new homes, education and health facilities, within an economically sustainable environment. The Development Agreement between Raploch Urban Regeneration Company Limited, Raploch URC Landholdings Limited and Stirling Council was signed on 21 June 2007. This agreed the transfer of over 60 acres of land from Stirling Council to Raploch URC Landholdings Limited.

At 31 March 2011 the company had net assets amounting to £1.099m (2009/10, £1.350m). In year ended 31 March 2011 the company incurred a loss before tax of £0.252m (2009/10, profit £0.237m) and a loss after tax of £0.252m (2009/10, profit £0.237m).

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 March 2011 the company had net assets amounting to £0.240m (2009/10, £0.219m). In year ended 31 March 2011 the company achieved a profit before tax of £0.027m (2009/10, £0.036m) and a profit after tax of £0.022m (2009/10, £0.026m). Dividends declared by the company for 2010/11 were £nil (2009/10, £0.026m).

<u>Stirling Development Agency Ltd</u>

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 Councils 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 March 2011 the Council held 500 shares of £1 each in the company, representing 50% of the issued share capital. At 31 March 2011 the company had net liabilities amounting to £2.917m (2009/10, £2.535m). In year ended 31 March 2011 the company incurred a loss before tax of £0.382m (2009/10, £0.298m) and a loss after tax of £0.382m (2009/10, £0.298m). At 31 March 2011, the Council had provided loans to the company amounting to £5.229m (2009/10, £4.001m). Interest due on the loans as at 31 March 2011 was £0.468m (2009/10, £0.360m).

<u>Stirling District Tourism Ltd</u>

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 March 2011 the company had net assets of £0.988m (2009/10, £0.778m) after including a retirement benefit pension scheme deficit of £0.089m (2009/10, deficit of £0.230m). In year ended 31 March 2011 the company achieved an operating surplus of £0.210m (2009/10, deficit of £0.056m) after taking account of an actuarial gain on the retirement benefit pension scheme of £0.096m (2009/10, loss of £0.169m). The company is exempt from tax as a charity under Section 505 Income and Corporation Taxes Act, 1988.

<u>Stirling Enterprise and Economic Development Company Limited</u>

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

At 31 March 2011 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 March 2011 the company had net assets amounting to £0.476m (2009/10, £0.476m). In year ended 31 March 2011 the company achieved a profit before tax of £nil (2009/10, £0.013m) and a profit after tax of £nil (2009/10, £0.013m).

At 31 March 2011 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 a property from the company.

At 31 March 2011 the Council held 85,000 shares of £1 each in the company, representing 84% of the issued share capital. At 31 March 2011 the company had net assets amounting to £2.026m (2009/10, £1.522m). In year ended 31 March 2011 the company achieved a profit before tax of £0.323m (2009/10, £0.040m) and a profit after tax of £0.290m (2009/10, £0.029m). 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 March 2011 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 March 2011 the company had net assets amounting to £0.179m (2009/10, £0.015m). In year ended 31 March 2011 the company achieved a profit before tax of £0.165m (2009/10, £0.189m) and a profit after tax of £0.165m (2009/10, £0.189m).

The Council acts as guarantor in respect of the company's obligations under its bank loan agreement. At 31 March 2011 the sum guaranteed was £1.997m (2009/10, £2.112m). At 31 March 2011 the company owed £0.552m to the Council (2009/10, £0.330m) 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 March 2011 the Council held 198 shares in the company, representing 50% of the issued share capital. At 31 March 2011 the company had net assets amounting to £0.169m (2009/10, £0.219m). In year ended 31 March 2011 the company incurred a loss before tax of £0.054m (2009/10, profit of £0.037m) and a loss after tax of £0.050m (2009/10, profit of £0.020m).

The Council acts as guarantor in respect of the company's obligations under the bank facility it acquired to assist in the purchase of the head lease interests in the Alpha and Beta Centres. The bank loan amounted to £0.639m at 31 March 2011 (2009/10, £0.723m).

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 March 2011 the Council held 520,000 shares of £1 each in the company, representing 65% of the issued share capital. At 31 March 2011 the company controlled net assets amounting to £0.386m (2009/10, £0.383m). In year ended 31 March 2011 the company declared a profit before tax of £0.005m (2009/10, £0.009m) and a profit after tax of £0.004m (2009/10, £0.007m).

At 31 March 2011 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. Decisions have been taken by both Stirling and Clackmannanshire Councils to wind up Venture Forth Ltd during the 2011/12 financial year.

29. Leases

Council as Lessee

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 2010/11, finance lease payments of £1.882m were made in respect of the Balfron PFI and Schools PPP contracts (2009/10 £1.613m) as outlined in note 35. There were no other finance lease payments.

Operating Leases

The Council has a number of operational lease arrangements in respect of property and vehicles. Minimum lease payments due under non-cancellable leases in future years are detailed below.

	31 March 2010	31 March 2011
	£000	£000
Not later than one year	1,138	1,135
Later than one year and not later than five years	3,767	3,167
Later than five years	7,414	6,880
	12,319	**11,182**

The expenditure charged to relevant Services in the Comprehensive Income and Expenditure Statement during the year in relation to these lease payments was:

	2009/10 £000	2010/11 £000
Minimum lease payments	**1,160**	**1,138**

Council as Lessor

Finance Leases - there were no finance lease rentals receivable by the Council in 2009/10 or 2010/11.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres
- For economic development purposes to provide suitable affordable accommodation for local businesses

Minimum lease payments receivable under non-cancellable leases in future years are detailed below:

	31 March 2010 £000	31 March 2011 £000
Not later than one year	(1,726)	(1,614)
Later than one year and not later than five years	(5,795)	(5,423)
Later than five years	(71,171)	(69,928)
	(78,692)	**(76,965)**

Income credited to relevant Services in the Comprehensive Income and Expenditure Statement during the year in relation to these lease receipts was:

	2009/10 £000	2010/11 £000
Minimum lease payments	**(1,726)**	**(1,726)**

30. Investment Properties

The movement on Investment Properties during the year is as follows:

	2009/10 £000	2010/11 £000
Net Carrying amount at start of year	**12,685**	**6,846**
Disposals	(350)	-
Transfer to Assets Held For Sale	-	(844)
Transfer to Property, Plant & Equipment	(5,420)	(33)
Revaluation of Assets	(69)	(674)
Net Carrying amount at end of year	**6,846**	**5,295**

Rental income received during 2010/11 from Investment Properties was £0.483m (2009/10, £0.483m). The Council incurred no direct operating expenses relating to these properties.

31. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets relate to purchased licenses and are amortised on a straight-line basis over a period of 5 years. Intangible assets are valued at cost and not subject to revaluation. As at 31 March 2011 there are no items of capitalised software that are individually material to the financial statements.

The amortisation of £0.152m charged to revenue in 2010/11 (2009/10, £0.132m) was allocated across all relevant service headings included in Cost of Services within the Comprehensive Income & Expenditure Statement. The movement on Intangible Asset balances during the year is as follows:

	2009/10 £000	2010/11 £000
Balance at start of year:		
• Gross carrying amounts	407	662
• Accumulated amortisation	(84)	(216)
Net carrying amount at start of year	323	446
Purchases	255	99
Amortisation for the period	(132)	(152)
Net carrying amount at end of year	**446**	**393**
Comprising:		
• Gross carrying amounts	662	761
• Accumulated amortisation	(216)	(368)
	446	**393**

32. Impairment Losses and Reversals

The following table outlines impairment losses charged and impairment reversals credited to the Surplus or Deficit on the Provision of Services. These disclosures are consolidated in note 33 reconciling the movement over the year in the Property, Plant and Equipment balances.

Losses 2009/10 £000	Reversals 2009/10 £000	**Asset**	Service Area	Losses 2010/11 £000	Reversals 2010/11 £000
263	-	Primary & Nursery Schools	Education Services	3,777	(263)
1,095	(435)	Cornton / Cultenhove / Raploch Regeneration	Housing Services	12,600	-
-	-	Holy Trinity Homeless Accommodation	Housing Services	300	-
61	-	Ladywell Pavilion / Minor Properties / Vehicles	Cultural & Related Services	-	-
-	-	Moray Park (Pub Con)	Environmental Services	11	-
65	(4,597)	Forthside / Polmaise Landfill / Back O' Hill	Planning & Development Services	80	-
290	-	Torbrex Residential Home	Social Work	-	-
48	-	Refuse Vehicle	Refuse Collection STO	-	-
1,822	**(5,032)**			**16,768**	**(263)**

33. **Property, Plant and Equipment**

Movements on Balances in 2010/11:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PFI Assets Included in Property, Plant & Equip
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation									
At 1 April 2010	215,931	487,983	27,133	87,987	4,911	1548	7,669	**833,162**	162,584
Additions	10,917	7,174	4,035	6,654	523	-	1,375	**30,678**	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,716)	(10,021)	12	-	-	(753)	-	**(13,478)**	-
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(517)	(4,168)	-	-	-	(12,083)	-	**(16,768)**	-
Reversal of Previous Impairments	-	263	-	-	-	-	-	**263**	-
Derecognition – Disposals	-	(54)	(658)	-	-	-	-	**(712)**	-
Assets reclassified (to)/from Held for Sale	(1,278)	(362)	(2,851)	-	-	(145)	-	**(4,636)**	-
Other movements in Cost or Valuation	(3,658)	(6,532)	(61)	-	(211)	15,369	(4,874)	**33**	-
At 31 March 2011	**218,679**	**474,283**	**27,610**	**94,641**	**5,223**	**3,936**	**4,170**	**828,542**	**162,584**

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PFI Assets Included in Property, Plant & Equip
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Accumulated Depreciation and Impairment									
At 1 April 2010	(19,974)	(28,903)	(17,570)	(18,588)	(391)	(890)	-	**(86,316)**	(6,940)
Depreciation charge	(2,029)	(8,930)	(3,415)	(3,091)	(303)	(59)	-	**(17,827)**	(2,471)
Derecognition – Disposals	-	138	658	-	-	-	-	**796**	-
Eliminated on reclassification to Assets Held for Sale	-	-	2,707	-	-	-	-	**2,707**	-
Other movements in Depreciation and Impairment	731	116	(50)	-	20	(817)	-	**-**	-
At 31 March 2011	**(21,272)**	**(37,579)**	**(17,670)**	**(21,679)**	**(674)**	**(1,766)**	**-**	**(100,640)**	**(9,411)**
Net Book Value									
At 31 March 2011	**197,407**	**436,704**	**9,940**	**72,962**	**4,549**	**2,170**	**4,170**	**727,902**	**153,173**
At 31 March 2010	**195,957**	**459,080**	**9,563**	**69,399**	**4,520**	**658**	**7,669**	**746,846**	**155,644**

Comparative Movements on Balances in 2009/10:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PFI Assets Included in Property, Plant & Equip
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation									
At 1 April 2009	211,689	457,746	24,624	70,840	4,268	962	16,225	**786,354**	162,584
Additions	8,549	8,933	3,122	9,646	321	-	2,216	**32,787**	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	533	26,046	-	-	-	(2,124)	-	**24,455**	-
Revaluation Increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(70)	(805)	(52)	-	-	(895)	-	**(1,822)**	-
Reversal of Previous Impairments	-	4,889	-	-	-	143	-	**5,032**	-
Derecognition - Disposals	(1,233)	(5,821)	(613)	-	-	-	-	**(7,667)**	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(121)	-	**(121)**	-
Other movements in Cost or Valuation	(3,537)	(3,005)	52	7,501	322	3,583	(10,772)	**(5,856)**	-
At 31 March 2010	**215,931**	**487,983**	**27,133**	**87,987**	**4,911**	**1,548**	**7,669**	**833,162**	**162,584**

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equip	PFI Assets Included in Property, Plant & Equip
Accumulated Depreciation and Impairment									
At 1 April 2009	(18,382)	(29,308)	(14,300)	(15,718)	(149)	(134)	-	**(77,991)**	(4,469)
Depreciation charge	(1,626)	(9,063)	(3,723)	(2,870)	(259)	(20)	-	**(17,561)**	(2,471)
Derecognition - Disposals	104	5,384	502	-	-	-	-	**5,990**	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	16	-	**16**	-
Other movements in Depreciation and Impairment	(70)	4,084	(49)	-	17	(752)	-	**3,230**	-
At 31 March 2010	**(19,974)**	**(28,903)**	**(17,570)**	**(18,588)**	**(391)**	**(890)**	**-**	**(86,316)**	**(6,940)**
Net Book Value									
At 31 March 2010	**195,957**	**459,080**	**9,563**	**69,399**	**4,520**	**658**	**7,669**	**746,846**	**155,644**

Effects of Changes in Estimates

In 2010/11, there were no material changes to the Council’s accounting estimates for Property, Plant and Equipment.

The following statement shows the number of non current assets held by the Council:

	Assets 31 March 2010	**Assets 31 March 2011**
Other Land & Buildings		
Art and Entertainment Venues	2	**2**
Bing Sites	3	**2**
Car Parks	45	**45**
Community Centres / Halls	31	**29**
Council Offices	30	**27**
Day Care Centres	1	**1**
Depots	8	**8**
Garages	770	**770**
Governors/substations	16	**16**
Hostels	7	**7**
Industrial Premises	13	**13**
Libraries	17	**17**
Nursery Schools	12	**13**
Residential Accommodation	4	**4**
Other Land & Buildings	118	**177**
Primary Schools	41	**41**
Public Conveniences	27	**27**
Residential Care Homes for the Elderly	5	**5**
School Houses	5	**5**
Secondary Schools	7	**7**
Shops	39	**31**
Special Education Properties	1	**2**
Sports Clubs/Facilities	29	**30**
Tourism	5	**5**

	Assets 31 March 2010	**Assets 31 March 2011**
Council Dwellings	5,601	**5,492**
Vehicles, Plant & Equipment		
Vehicles	329	**355**
Plant	168	**170**
Equipment	265	**254**
Infrastructure Assets		
Bridges	22	**22**
Cycle Routes	8	**15**
Highways	10	**10**
Lighting	12	**12**
Memorials/Street Furniture	51	**51**
Roads	49	**51**
Transport Facilities/Park & Ride	4	**4**
Community Assets		
Cemeteries/ Churchyards	60	**62**
Hard Pitches	241	**241**
Soft Pitches	246	**247**
Parks, Open Spaces and Play Areas	203	**208**
Surplus Assets	33	**85**
Assets Under Construction	6	**9**

Heritage Assets

In June 2009, the Accounting Standards Board issued a new accounting standard – Financial Reporting Standard (FRS) 30 'Heritage Assets'. FRS 30 applies to all heritage assets that are held and maintained by an entity principally for their contribution to knowledge and culture. Heritage assets can have historical, artistic, scientific, geophysical or environmental qualities. The following represent those assets that are currently held as Community Assets in the Council's balance sheet but which will be accounted for as heritage assets from 2011/12 onwards. All assets are currently carried in the balance sheet at a nominal valuation of £1 (Refer to note 2 on page 42 for proposed changes to the accounting treatment of these assets from 2011/12).

Black Boy Fountain, Stirling
Clachan Fountain, Balfron
Campbell Bannerman Statue, Stirling
Rob Roy Statue, Stirling
Star Pyramid, Valley Cemetery, Stirling
Nineveh Fountain, Bridge of Allan
Paterson Memorial Clock, Bridge of Allan
Union Street Clock Tower, Stirling
Main Street Memorial, Strathyre
Christie Memorial Clock, Stirling
Memorial Sundial, South Church Street, Callander
Teith Road Clock Tower, Deanston
The Square Font, Gargunnock
Various War Memorials, Stirling Council Area
Wallace Monument, Stirling (leased to Stirling District Tourism Ltd)

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £7.577m. Similar commitments at 31 March 2010 were £9.051m. The major commitments are:

- Lower Polmaise Waste Management Expansion - £2.151m
- Cowie Primary School - £0.831m
- Cities Growth Fund - £0.415m
- Torbrex House - £0.320m
- Cornton Centre - £0.160m

- HRA Roofs & Rendering - £1.900m
- HRA Central Heating - £1.600m

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value undergoes revaluation at least every five years. Valuers employed within the Council's Estates Team carry out all valuations.

Valuations of Council dwellings are carried out in accordance with the Beacon principle based on existing use value - social housing which is the recommended valuation technique under the IFRS code. Any new build housing and newly purchased houses are valued at historic cost. Valuations of other land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active secondhand market or latest list prices adjusted for the condition of the asset.

34. Capital Expenditure and Capital Financing

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

	2009/10 £000	**2010/11 £000**
Opening Capital Financing Requirement	145,385	155,165
Capital Investment		
Property, Plant and Equipment	32,787	30,678
Intangible Assets	255	99
Revenue Expenditure Funded from Capital under Statute	427	1,059
Sources of Finance		
Capital receipts	(1,888)	(2,637)
Government grants and other contributions	(8,192)	(7,054)
Sums set aside from revenue:		
• Direct revenue contributions	(5,568)	(7,821)
• Loans fund principal	(8,041)	(8,793)
Closing Capital Financing Requirement	155,165	160,696
Explanation of Movements in Year		
Increase in underlying need to borrow (unsupported by government financial assistance)	9,780	5,531
Increase/(decrease) in Capital Financing Requirement	9,780	5,531

An analysis of capital grants received in the year and their accounting treatment is outlined in the following tables:

	Total Capital Grants £000
Total Grants Received	7,054
Less Revenue Expenditure Funded From Capital Under Statute	(1,059)
Grants Applied To Capital Expenditure	**5,995**

	Total Capital Grants £000	**Capital Grants Receipts in Advance £000**	**Capital Grants – Income and Expenditure £000**	**Capital Grants Unapplied Account £000**
Grants with conditions attached – conditions unmet	52	52		
Grants with conditions attached – conditions met and spend incurred	1,287		1,287	
Grants with conditions attached – conditions met and spend not incurred	248			248
Grants with no conditions attached and spend incurred	4,360		4,360	
Grants with no conditions attached and spend not incurred	48			48
	5,995	**52**	**5,647**	**296**

35. Private Finance Initiatives and Similar Contracts

Balfron High School PFI Contract

In March 2000, the Council entered into a PFI contract for the replacement of Balfron High School. The new school became operational in August 2001. The Council made annual payments under the Balfron 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 of 7th October 2010 approved the transfer of the Balfron Schools PFI contract and the associated FM sub contract to SGP Limited.

The net Unitary Charge payments made by Children's Services in 2010/11 totalled £2.63m (£2.56m, 2009/10). 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 "Taxation and Non-Specific Grant Income" figure within the Comprehensive Income and Expenditure Statement.

<u>Stirling Schools PPP Contract</u>

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 net Unitary Charge payments made by Children's Services in 2010/11 totalled £9.44m (2009/10, £9.2m). The Council also received £4.4m (2009/10, £4m) of support grant from the Scottish Executive as part funding for the project. This sum is reflected in the "Taxation and Non-Specific Grant Income" figure within the Comprehensive Income and Expenditure Statement.

Ownership of the schools will pass to the Council when the Balfron and Stirling Schools' contracts terminate in 2026 and 2039 respectively.

Property Plant and Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 33.

Payments

The Council makes an agreed payment each year, which is increased by inflation and reduced if the contractor fails to meet availability and performance standards in any year. Payments remaining to be made under the PFI/PPP contracts at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Balfron High School PFI				**Stirling Schools PPP**			
	Service Charge £000	Interest Charge £000	Principal Charge £000	Total £000	Service Charge £000	Interest Charge £000	Principal Charge £000	Total £000
Payable in 2011/12	1,357	1,103	196	2,656	3,169	4,582	1,573	9,324
Payable within 2 - 5 years	4,804	4,789	1,711	11,304	14,803	18,720	6,080	39,603
Payable within 6 - 10 years	7,229	5,928	2,636	15,793	21,642	24,425	9,259	55,326
Payable within 11 - 15 years	8,068	5,658	4,144	17,870	29,149	24,253	9,194	62,596
Payable within 16 - 20 years	645	457	457	1,559	39,288	23,601	7,932	70,821
Payable within 21 -25 years	-	-	-	-	39,551	26,888	13,734	80,173
Payable within 26 - 30 years	-	-	-	-	20,364	22,062	16,797	59,223
Total	**22,103**	**17,935**	**9,144**	**49,182**	**167,966**	**144,531**	**64,569**	**377,066**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2009/10			**2010/11**		
	Balfron PFI £000	Schools PPP £000	Total PFI/PPP £000	Balfron PFI £000	Schools PPP £000	Total PFI/PPP £000
Balance outstanding at start of year	(9,899)	(67,309)	(77,208)	(9,560)	(66,035)	(75,595)
Payments during the year	339	1,274	1,613	416	1,466	1,882
Balance outstanding at year-end	(9,560)	(66,035)	(75,595)	(9,144)	(64,569)	(73,713)

36. Assets Held for Sale

	Current		Non Current	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Balance outstanding at start of year	**-**	**38**	**1,264**	**1,346**
Assets newly classified as held for sale:				
• Property, Plant and Equipment	38	1,801	82	128
• Investment Properties	-	844	-	-
Assets sold	-	(2,428)	-	-
Balance outstanding at year-end	**38**	**255**	**1,346**	**1,474**

Current assets held for sale as at 31 March 2011 comprise the former public convenience at Station Road, Stirling and land at Edward Avenue Riverside.

Non current assets held for sale as at 31 March 2011 comprise Rainbow Slides, the Argyll Centre and Lochearnhead former schoolhouse.

37. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Balance outstanding at start of year	50	14	136	184	186	198
Purchases	1,125	1,095	2,197	2,841	3,322	3,936
Recognised as an expense in the year	(1,161)	(1,059)	(2,149)	(2,683)	(3,310)	(3,742)
Balance outstanding at year-end	**14**	**50**	**184**	**342**	**198**	**392**

38. Debtors

	31 March 2010 £000	31 March 2011 £000
Central government bodies	4,851	3,762
Other local authorities	573	267
NHS bodies	385	421
Other entities and individuals	9,776	10,056
Total	**15,585**	**14,506**

The above figures represent the position after taking account of the following bad debt provisions totalling £9.283m; Council Tax (£4.887m), Housing Rents (£0.688m), Sundry Debtors (£1.843m), Council Tax Penalty Charges (£0.960m), Non Domestic Rates (£0.836m), Non Domestic Rates Penalty Charges (£0.069m).

39. Creditors

	31 March 2010 £000	31 March 2011 £000
Central government bodies	(518)	(4,653)
Other local authorities	(213)	(4,398)
NHS bodies	(49)	-
Other entities and individuals	(35,781)	(36,866)
Total	**(36,561)**	**(45,917)**

40. Provisions

2009/10 Legal Cases £000	2009/10 Equal Pay £000	2009/10 Insurance £000	2009/10 Total £000		2010/11 Legal Cases £000	2010/11 Equal Pay £000	2010/11 Insurance £000	2010/11 Total £000
(256)	(5,939)	(746)	(6,941)	Balance at 1 April	(100)	(3,932)	(743)	(4,775)
(97)	-	(10)	(107)	Additional provisions made during year	-	-	(65)	(65)
253	2,007	13	2,273	Provisions used during year	97	489	9	595
-	-	-	-	Reversal of previous provisions	3	-	-	3
(100)	**(3,932)**	**(743)**	**(4,775)**	**Balance at 31 March**	**-**	**(3,443)**	**(799)**	**(4,242)**

Legal Cases

A claim before the Lands Tribunal for Scotland arising out of the Central Regional Council (Stirling Inner Relief Road) Compulsory Purchase Order 1988 had been previously noted in the Council's accounts. A provision of £100,000 had been made in the accounts to meet the final settlement of outstanding legal costs.

Equal Pay

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 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 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 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 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 February 2009. Given the possibility of liability to equal pay claims from female manual workers up to 16 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 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.

During 2010/11, payments totalling £489,000 were made to male manual workers. This leaves a residual provision of £3.44m as at 31 March 2011 to meet any remaining claims from male manual workers together with any potential Bainbridge claims.

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.

Insurance

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

	Balance at 31/3/10 £000	Movement 2010/11 £000	Balance at 31/3/11 £000
Property	(21)	9	(12)
Liability	(5)	-	(5)
Motor	(6)	-	(6)
Combined Liability/Motor	(710)	(66)	(776)
	(742)	**(57)**	**(799)**

41. Construction Contracts

At 31 March 2011, the Council was not engaged in any construction contracts on behalf of other parties.

42. Contingent Liabilities

At 31 March 2011, the Council had no material contingent liabilities.

43. Contingent Assets

At 31 March 2011, the Council had no material contingent assets.

44. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2009/10 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income		
Council Tax/Community Charge	(43,990)	(44,053)
General Government Grant	(133,573)	(140,608)
Non Domestic Rate Redistribution	(37,118)	(35,354)
Capital Grants and Contributions	(11,201)	(5,944)
Total	**(225,882)**	**(225,959)**

	2009/10 £000	2010/11 £000
Credited to Services		
Housing Benefit (Rent Allowance & Rent Rebate) Subsidy	(17,547)	(19,303)
Other Grants, Reimbursements & Contributions (Government)	(3,652)	(3,803)
Other Grants, Reimbursements & Contributions (Non Government)	(8,344)	(9,598)
Housing Benefit/Council Tax Benefit Admin Grant	(589)	(504)
Capital Grants Spent Within Service Areas (Government - Police)	(653)	(153)
Total	**(30,785)**	**(33,361)**

45. Long Term Debtors

1 April 2009	31 March 2010		31 March 2011	31 March 2011	31 March 2011
£000	**£000**		**£000**	**£000**	**£000**
Total Debtors	Total Debtors		Police Debt	House Loans	Total Debtors
10,626	10,112	Balance b/fwd as at 1 April	9,245	531	9,776
(511)	(536)	Police Debt Due to Loans Fund	(255)	-	(255)
21	244	House Loan Advances	-	52	52
(24)	(44)	House Loan Repayments	-	(76)	(76)
10,112	**9,776**	**Balance c/fwd as at 31 March**	**8,990**	**507**	**9,497**

46. Long Term Investments

1 April 2009	31 March 2010		31 March 2011
£000	**£000**		**£000**
4,271	4,361	Stirling Development Agency	5,697
436	150	City of Stirling Business Parks (Investments) Ltd	150
294	294	Venture Forth Ltd	294
176	176	SEEDCO Ltd	176
15	15	Stirling Enterprise Park	15
5,192	**4,996**		**6,332**

47. Long Term Borrowing

1 April 2009	31 March 2010		31 March 2011
£000	£000		£000
		Borrowing Repayable on Demand or within 12 months	
-	(4,700)	Temporary Borrowing	-
(100)	(100)	Public Works Loan Board	(2,100)
(150)	(150)	Covenant Schemes	(150)
(28)	(31)	European Investment Bank	(33)
(5)	(52)	Local Lenders	(19)
(1,474)	(1,473)	Accrued Interest on Borrowing due to be settled within 12 months	(1,488)
(1,757)	**(6,506)**		**(3,790)**
		Long Term Borrowing	
(121,766)	(121,666)	Public Works Loan Board	(129,566)
(1,000)	(1,000)	Market Bonds	(1,000)
(700)	(550)	Covenant Schemes	(400)
(100)	(69)	European Investment Bank	(36)
(60)	(10)	Local Lenders	(9)
(123,626)	**(123,295)**		**(131,011)**
		Maturity Periods	
(330)	(2,286)	Repayable in 1-2 years	(2,294)
(7,582)	(8,937)	Repayable in 2-5 years	(17,704)
(19,293)	(19,993)	Repayable in 5-10 years	(22,716)
(38,513)	(34,171)	Repayable in 10-20 years	(30,389)
(57,908)	(57,908)	Repayable in 40-50 years	(57,908)
(123,626)	**(123,295)**		**(131,011)**
28.2 years	**25.9 years**	**Average Maturity Period**	**25.2 years**

48. **Financial Instruments**

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

	Long-term		Current	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Investments				
Loans and receivables	4,511	5,847	-	-
Available-for-sale financial assets	485	485	-	-
Total investments	**4,996**	**6,332**	**-**	**-**
Debtors				
Financial assets carried at contract amounts	-	-	4,243	5,167
Total debtors	**-**	**-**	**4,243**	**5,167**
TOTAL FINANCIAL ASSETS	**4,996**	**6,332**	**4,243**	**5,167**
Borrowings				
Financial liabilities (principal amounts)	123,295	131,011	5,033	2,302
Accrued Interest (due within next 12 months)	-	-	1,473	1,488
Total borrowings	**123,295**	**131,011**	**6,506**	**3,790**
Creditors				
PFI and finance lease liabilities	-	-	1,882	1,769
Financial liabilities carried at contract amount	-	-	9,683	10,824
Total creditors	**-**	**-**	**11,565**	**12,596**
Other Long Term Liabilities				
PFI and finance lease liabilities	73,713	71,944	-	-
Total other long term liabilities	**73,713**	**71,944**	**-**	**-**
TOTAL FINANCIAL LIABILITIES AT AMORTISED COST	**197,008**	**202,955**	**18,071**	**16,386**

Income, Expense, Gains and Losses

	2009/10			2010/11		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Measured at amortised cost	Loans and receivables		Measured at amortised cost	Loans and receivables	
	£000	£000	**£000**	£000	£000	£000
Interest expense	8,299	-	8,299	8,473	-	**8,473**
Schools PFI/PPP Interest Charges	5,956	-	5,956	5,970	-	**5,970**
Total expense in Surplus on the Provision of Services	**14,255**	**-**	**14,255**	**14,443**	**-**	**14,443**
Interest income	-	(657)	(657)	-	(319)	(319)
Total income in Surplus on the Provision of Services	**-**	**(657)**	**(657)**	**-**	**(319)**	**(319)**
Net (gain)/loss for the year	**14,255**	**(657)**	**13,598**	**14,443**	**(319)**	**14,124**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost in long term assets/liabilities with accrued interest shown in current assets/liabilities. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For Public Work Loan Board 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 Public Work Loan Board 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 fair value
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Short-term debtors and creditors are carried at cost, as this is a fair approximation of their value.

The fair values calculated are as follows:

	31 March 2010			**31 March 2011**		
	Carrying Amount £000	**Fair Value Early Repayment Rate £000**	**Fair Value New Borrowing Rate £000**	**Carrying Amount £000**	**Fair Value Early Repayment Rate £000**	**Fair Value New Borrowing Rate £000**
PWLB Debt	(123,238)	(165,008)	(156,427)	(133,154)	(177,478)	(154,772)
Non-PWLB Debt	(1,864)	(2,209)	(2,209)	(1,647)	(1,953)	(1,953)
Temporary Borrowing	(4,700)	(4,699)	(4,699)	-	-	-
Total Debt	**(129,802)**	**(171,916)**	**(163,335)**	**(134,801)**	**(179,431)**	**(156,725)**
Trade Creditors	(6,547)	(6,547)	(6,547)	(8,543)	(8,543)	(8,543)
Temporary advance to loans fund	(3,136)	(3,136)	(3,136)	(2,282)	(2,282)	(2,282)
PFI/PPP Finance Lease Liability	(75,595)	(75,595)	(75,595)	(73,713)	(73,713)	(73,713)
Total Financial Liabilities	**(215,080)**	**(257,194)**	**(248,613)**	**(219,339)**	**(263,969)**	**(241,263)**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the comparable loan interest rates at the Balance Sheet date. 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 thereby showing a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2010			31 March 2011		
	Carrying Amount £000	**Fair Value Early Repayment Rate £000**	**Fair Value New Borrowing Rate £000**	**Carrying Amount £000**	**Fair Value Early Repayment Rate £000**	**Fair Value New Borrowing Rate £000**
Trade Debtors	4,243	4,243	4,243	5,167	5,167	5,167
Long Term Investments	4,511	4,511	4,511	5,847	5,847	5,847
Total Loans and Receivables	**8,754**	**8,754**	**8,754**	**11,014**	**11,014**	**11,014**
Available for Sale	485	485	485	485	485	485
Total Financial Assets	**9,239**	**9,239**	**9,239**	**11,499**	**11,499**	**11,499**

49. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- By approving annually in advance, prudential and treasury indicators for the following 3 years limiting:
    - The Council's overall borrowing
    - Its maximum and minimum exposures to fixed and variable interest rates

- Its maximum and minimum exposures to the maturity structure of its debt
- Its maximum annual exposures to investments maturing beyond a year

- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Investment Regulations

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These Treasury Management Practices are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers a maximum sums and time limits for investments with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria.

The Council uses the creditworthiness service provided by Sector, the Council's Treasury Management advisors. This service uses a sophisticated modelling approach with credit ratings from all 3 rating agencies (Fitch, Moody's and Standard & Poors), forming the core element. However, this does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit default swaps spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2010/11 was approved by Council on 11/03/10 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise. At 31 March 2011, deposits placed with banks and other financial institutions were classed as cash and cash equivalents, being invested for operational cash flow purposes.

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

The Council does not generally allow credit for customers, such that £3.076m of the £5.176m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2010 £000	31 March 2011 £000
Less than 30 days	751	1,217
31 – 60 days	395	288
61 – 90 days	145	53
More than 90 days	1,284	1,518
	2,575	**3,076**

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board. The Council is also required to provide a balanced budget under the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Re-financing risk

In the longer term, there is a refinancing risk that the Council will be bound to replenish a significant proportion of its borrowings 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 debt and the current practice of a separate schedule of early repayment rates presents a further element of refinancing risk as this will have an impact on the cost effectiveness of debt rescheduling.

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

	31 March 2010 £000	31 March 2011 £000
Less than one year	(5,033)	(2,302)
Between one and two years	(2,286)	(2,294)
Between two and five years	(8,937)	(17,704)
Between five and ten years	(19,993)	(22,716)
Between ten and twenty years	(34,171)	(30,389)
Between forty and fifty years	(57,908)	(57,908)
	(128,328)	**(133,313)**

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 risk in terms of its exposure to interest rate movements on its borrowings 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 Comprehensive Income and Expenditure Statement. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, maximum limits for fixed and variable interest rate exposures are set. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

At 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	7
Increase in interest receivable on variable rate investments	(30)
Impact on Surplus or Deficit on the Provision of Services	(23)
Share of overall impact debited to the HRA	(3)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	15,181

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

<u>Foreign exchange risk</u>

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

50. Housing Revenue Account Income and Expenditure Statement

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

2009-10 Restated £'000		2010-11 £'000
	Income	
(15,019)	Dwelling Rents	(14,933)
(367)	Non-dwelling Rents	(308)
(717)	Other Income	(1,454)
(16,103)	**Total Income**	**(16,695)**
	Expenditure	
5,660	Repairs and Maintenance	5,799
3,485	Supervision and Management	3,307
2,633	Depreciation and Impairment of Non-Current Assets	6,592
(59)	Increase/(Decrease) in the Allowance for Bad Debts	192
394	Other Expenditure	1,557
12,113	**Total Expenditure**	**17,447**
(3,990)	**Net Expenditure/(Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**752**
139	HRA Services' Share of Corporate and Democratic Core	123
(3,851)	**Net Expenditure/(Income) of HRA Services**	**875**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(49)	(Gain) or Loss on Sale of HRA Non-Current Assets	(172)
1,199	Interest Payable and Similar Charges	1,224
(39)	Interest and Investment Income	(35)
725	Pension Past Service Costs and Settlements & Curtailments	(2,618)
450	Pension Interest Cost and Expected Return on Pension Assets	412
(1,565)	**Surplus for the Year on HRA Services**	**(314)**

Movement on the Housing Revenue Account Statement

2009-10 £'000		Notes	2010-11 £'000
(423)	Balance on the HRA at the end of the Previous Year		(424)
(1,565)	(Surplus)/Deficit for the Year on HRA Income and Expenditure Statement		(314)
1,576	Adjustments between Accounting Basis and Funding Basis Under Statute	1	2,583
11	Net (Increase)/Decrease Before Transfers to or from Reserves		2,269
(12)	Transfers to/(from) Reserves	2	(1,873)
(1)	(Increase)/Decrease in Year on the HRA		396
(424)	**Balance on the HRA at the end of the Current Year**		**(28)**

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

2009-10 £'000		2010-11 £'000
49	Gain or loss on sale of HRA non-current assets	172
4,209	Capital expenditure funded by the HRA	5,737
	Transfer to/from the Capital Adjustment Account:	
(2,633)	Depreciation and Impairment	(6,592)
700	Repayment of Debt	1,053
(749)	HRA share of contributions to or from the Pensions Reserve	2,213
1,576	**Total**	**2,583**

2. Transfers to/from Reserves

2009-10 £'000		2010-11 £'000
-	Transfer from Earmarked Balances	(1,543)
-	Transfer from Repair & Renewals Reserve	(250)
(12)	Transfer to Employee Statutory Adjustment Account	(80)
(12)	**Total**	**(1,873)**

3. Housing Stock

The Council's housing stock at 31 March 2011 was 5,492 (5,601 at 31 March 2010) in the following categories:

Property Type	1 Apt	2 Apt	3 Apt	4 Apt	5 Apt	6 Apt+	Total
Bedsit	18	3					**21**
Flat in Close	2	558	594	151	2		**1,307**
Own Door Flat		314	388	190	68	1	**961**
Maisonette			64	10			**74**
Bungalow		300	34	26	2	1	**363**
Mid Terrace		7	454	463	21	1	**946**
End Terrace/Semi	1	2	720	924	167	1	**1,815**
Detached				2	2	1	**5**
	21	**1,184**	**2,254**	**1,766**	**262**	**5**	**5,492**

4. Rent Arrears

Rent arrears relating to current tenants in council dwellings and lockups totalled £716,382 as at 31st March 2011 (£455,875 as at 31st March 2010), and represents 11% of the net rent due for the year. Rent arrears relating to former tenants in council dwellings and lockups totalled £324,909 as at 31st March 2011. This represents a decrease of £5,285 since 31st March 2010. Arrears of £70,637 were written off during the year, which related to former housing tenants.

5. Movement in the Allowance for Bad Debts

An accumulated total provision of £687,651 has been made for Bad and Doubtful Debts, of which £573,606 is for dwellings and lockups, with the balance of £114,045 relating to Homeless and other debtors. This is compared to a total of £579,702 in 2009/10, of which £538,000 was for dwellings and lockups with the balance of £41,702 relating to Homeless and other debtors.

6. Rent Lost Due To Empty Properties

Rent lost as a result of empty properties during the year was £0.123m (2009/10, £0.162m).

51. National Non Domestic Rates

Local authorities collect National Non Domestic Rates (NNDR) income, which is then remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to local authorities along with the Revenue Support Grant. The table below details the actual levels of NNDR collected by Stirling Council, and the overall increase/decrease between the rates collected and the amount that the Council is entitled to receive under the National Pooling arrangement.

2009/10 £000		2010/11 £000
(45,347)	Gross rates levied and contributions in lieu	(45,748)
8,872	Reliefs and other deductions	9,444
21	Payments of interest	-
189	Provision for bad and doubtful debts	429
(11)	Other adjustments	(3)
(36,276)		(35,878)
(103)	Discretionary Relief charged to General Fund	(103)
(36,379)	**Net Non Domestic Rate Income**	**(35,981)**
(739)	Net contribution to/(from) National Non Domestic Rate pool	627
(37,118)	**Gross Non Domestic Rate Income to the Comprehensive Income and Expenditure Statement**	**(35,354)**

Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2010/11 was 40.7p (2009/10, 48.1p). Properties with a rateable value greater than £29,000 are charged a supplement of 0.7p per pound (2009/10, 0.4p). Properties with a rateable value of £15,000 or less may be eligible for Small Business Bonus relief.

The rateable values and numbers of rateable subjects as at 1 April 2010 were:

Subject Classification	No. of Subjects	%	Rateable Value (£'000)	%
Commercial	2,931	60.61	70,162	62.03
Industrial	819	16.94	15,451	13.66
Miscellaneous	1,065	22.02	23,135	20.45
Formula Valued Subjects	21	0.43	4,362	3.86
	4,836	**100%**	**113,110**	**100%**

52. **Council Tax**

Local authorities raise taxes from their residents through the Council Tax, which is a property taxed linked to property values. Each dwelling in a local Council area is placed into one of 8 valuation bands (A to H). The local authority determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued properties (D to F) paying more.

2009/10 £000		**2010/11 £000**
(51,031)	Gross Council Tax levied and contributions in lieu	(51,436)
	Adjusted for:	
(47)	Council Tax Benefits (Net of Government Grants)	(55)
6,964	Other discounts and reductions	7,050
131	Provision for non-collection	391
(43,983)		**(44,050)**
(7)	Community Charge recovered	(3)
(43,990)	**Net Council Tax Income per the Comprehensive Income and Expenditure Statement**	**(44,053)**

The calculation of the Council Tax Base 2010/11

	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
Band A**	-	-	22	(2)	-	20	5/9	11
Band A	5,880	(421)	30	(737)	(13)	4,739	6/9	3,159
Band B	8,513	(377)	(6)	(896)	(20)	7,214	7/9	5,611
Band C	4,279	(385)	(7)	(426)	(31)	3,430	8/9	3,049
Band D	4,289	(307)	15	(393)	(42)	3,562	1	3,562
Band E	5,966	(217)	(4)	(413)	(45)	5,287	11/9	6,461
Band F	4,912	(137)	(13)	(240)	(34)	4,488	13/9	6,483
Band G	4,561	(58)	(32)	(151)	(28)	4,292	15/9	7,153
Band H	635	(25)	(5)	(13)	(4)	588	18/9	1,176
					Total			**36,665**
					Class 17 dwellings (MoD)			16
					Provision for non-collection			(734)
					Council Tax Base			**35,947**

Band A** refers to properties subject to disabled relief

Dwellings fall within a valuation band between A to H, which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Stirling Council, the band D charge for 2010/11 was £1,209.

Stirling Council charges per band for 2010/11

Band A	£806.00	Band E	£1,477.67
Band B	£940.33	Band F	£1,746.33
Band C	£1,074.67	Band G	£2,015.00
Band D	£1,209.00	Band H	£2,418.00

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

From 1st 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 for the provision of new-build affordable social housing to meet locally determined priorities. Total amounts due for 2010/11 amounted to £0.427m, of which £0.134m remained outstanding as at 31st March 2011 (2009/10, £0.441m due and £0.116m outstanding).

53. 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. Charitable Trusts require to be prepared in accordance with The Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005). These are different regulations and a somewhat different set of principles than those that apply to the Council in the preparation of its accounts. Detailed accounts of each Charitable Trust are submitted to the Scottish charity regulator (OSCR) and are available separately.

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 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 March.

2009/10				2010/11		
Charitable Trusts £000	**Non Charitable Trusts £000**	**Total £000**		**Charitable Trusts £000**	**Non Charitable Trusts £000**	**Total £000**
			Income			
-	(3)	**(3)**	Donations	-	(47)	**(47)**
(5)	(1)	**(6)**	Interest Received	(15)	(2)	**(17)**
			Expenditure			
3	-	**3**	Upkeep of Grounds	2	-	**2**
1	-	**1**	Premises Insurance	1	-	**1**
-	2	**2**	Payments to Other Accounts	-	-	**-**
-	7	**7**	Miscellaneous Purchases	-	13	**13**
(1)	**5**	**4**	**(Surplus)/Deficit for the Year**	**(12)**	**(36)**	**(48)**
(214)	(123)	**(337)**	B/fwd Balances as at 1 April	(215)	(118)	**(333)**
(215)	**(118)**	**(333)**	**C/fwd Balances as at 31 March**	**(227)**	**(154)**	**(381)**

2009/10 £000		**2010/11 £000**
43	Non current Assets – Investments	28
319	Current Assets – Temporary Advances to Stirling Council	377
-	Current Assets – Creditors	(9**)**
362	**Net Assets**	**396**
(29)	Fund Balances - Capital	(15)
(333)	Fund Balances - Revenue	(381)
(362)	**Fund Balances**	**(396)**

The following statement provides an overview of the Charitable and Non-Charitable Trust Fund balances administered by the Council.

Balance 31/3/09 £	Spend 2009/10 £	Income 2009/10 £	Balance 31/3/10 £		Balance 31/3/10 £	Spend 2010/11 £	Income 2010/11 £	Balance 31/3/11 £
				Charitable Trusts				
(163,913.54)	3,714.27	(758.10)	(160,957.37)	Dunblane Cemetery Memorial Garden	(160,957.37)	3,096.34	(733.62)	(158,594.65)
(9,513.82)	-	(2,104.93)	(11,618.75)	Belle Richardson Dobbie Fund	(11,618.75)	-	(5,938.50)	(17,557.25)
(5,964.79)	-	(309.00)	(6,273.79)	George Murdoch Memorial Fund	(6,273.79)	-	(5,021.26)	(11,295.05)
(4,653.36)	-	(266.64)	(4,920.00)	McFarlane Free Library Fund	(4,920.00)	-	(1,004.30)	(5,924.30)
(4,383.89)	-	(48.20)	(4,432.09)	M McIntyre Bequest	(4,432.09)	-	(47.26)	(4,479.35)
(4,374.74)	-	(95.87)	(4,470.61)	AE Foster Bequest	(4,470.61)	-	(96.05)	(4,566.66)
(4,164.91)	-	(58.27)	(4,223.18)	Thomson Bequest for Stirling Library	(4,223.18)	-	(1,058.27)	(5,281.45)
(3,895.94)	-	(38.65)	(3,934.59)	Miss CC Halley's Bequest	(3,934.59)	-	(538.28)	(4,472.87)
(2,906.94)	-	(46.26)	(2,953.20)	Gargunnock Mortification	(2,953.20)	-	(538.22)	(3,491.42)
(1,854.73)	-	(456.32)	(2,311.05)	Miss V M Anderson Trust	(2,311.05)	-	(10.53)	(2,321.58)
(1,664.33)	-	(28.02)	(1,692.35)	Wm MCowan Bequest	(1,692.35)	-	(28.05)	(1,720.40)
(1,294.41)	-	(224.83)	(1,519.24)	Killearn War Memorial	(1,519.24)	-	(7.10)	(1,526.34)
(1,290.39)	-	(5.97)	(1,296.36)	Gargunnock Rest Garden Fund	(1,296.36)	-	(5.92)	(1,302.28)
(1,190.13)	-	(15.41)	(1,205.54)	Wm Drummond	(1,205.54)	-	(15.40)	(1,220.94)
(1,109.33)	-	(5.13)	(1,114.46)	Miss B Morrison Bequest	(1,114.46)	-	(5.09)	(1,119.55)
(871.26)	-	(21.52)	(892.78)	Strathblane Village Club	(892.78)	-	(17.17)	(909.95)
(526.82)	-	(7.79)	(534.61)	Strathblane War Memorial	(534.61)	-	(7.80)	(542.41)
(491.12)	-	(12.96)	(504.08)	Baird Airston Mortification	(504.08)	-	(298.30)	(802.38)
(349.58)	-	(6.53)	(356.11)	R Buchanan Mortification	(356.11)	-	(6.54)	(362.65)
(302.85)	-	(1.40)	(304.25)	Provost's Charity Fund	(304.25)	-	(1.39)	(305.64)
(214,716.88)	**3,714.27**	**(4,511.80)**	**(215,514.41)**	**Total Charitable Trusts**	**(215,514.41)**	**3,096.34**	**(15,379.05)**	**(227,797.12)**
				Non Charitable Trusts				
(38,574.30)	534.56	(348.35)	(38,388.09)	Welfare Bequests	(38,388.09)	5.79	(1,771.91)	(40,154.21)
(24,925.97)	-	(115.27)	(25,041.24)	Education Bequests	(25,041.24)	160.00	(42,133.87)	(67,015.11)
(58,663.55)	8,389.22	(3,767.91)	(54,042.24)	Social Services Donations and Funds	(54,042.24)	12,593.26	(4,970.83)	(46,419.81)
(336,880.70)	**12,638.05**	**(8,743.33)**	**(332,985.98)**	**Total Trusts Held By Stirling Council**	**(332,985.98)**	**15,855.39**	**(64,255.66)**	**(381,386.25)**

The following statement provides an overview of the purpose for which the Charitable and Non-Charitable Trusts were originally established.

Trust Fund	**Trust Objective**
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
Gargunnock Mortification	To benefit the poor of Gargunnock
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
Killearn War Memorial	To provide maintenance of the Killearn war memorial
Gargunnock Rest Garden Fund	To benefit the elderly and children of Gargunnock
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 and Funds	Donations to Residential Homes, Care related activities
Youth Services Donations	Donations to Youth Clubs

54. Common Good Funds

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. Common Good funds do not represent assets of the Council and are not included in the Council's Balance Sheet.

The following table summarises the income and expenditure of the Common Good Funds.

2009/10					2010/11			
Stirling	**Callander**	**Bridge of Allan**	**Total**		**Stirling**	**Callander**	**Bridge of Allan**	**Total**
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
				Income				
(10)	-	-	**(10)**	Shops & Commercial Premises	(8)	-	-	**(8)**
-	-	-	**-**	Income from Other Agencies	-	-	(6)	**(6)**
-	-	-	**-**	Investment Income	(16)	-	-	**(16)**
(5)	-	(2)	**(7)**	Interest Received	(12)	-	(5)	**(17)**
				Expenditure				
12	-	14	**26**	Property Maintenance	6	-	16	**22**
1	-	-	**1**	Electricity/Water Charges	4	-	-	**4**
6	-	2	**8**	Payments to Other Accounts	6	-	-	**6**
2	-	-	**2**	Depreciation	2	-	-	**2**
6	**-**	**14**	**20**	**(Surplus)/Deficit for the Year**	**(18)**	**-**	**5**	**(13)**

The following table provides a snapshot of the Common Good assets and liabilities as at 31 March.

2009/10					2010/11			
Stirling	**Callander**	**Bridge of Allan**	**Total**		**Stirling**	**Callander**	**Bridge of Allan**	**Total**
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
126	-	-	**126**	Non current Assets - Land & Buildings	124	-	-	**124**
700	-	370	**1,070**	Investments - Revenue	670	4	380	**1,054**
23	4	-	**27**	Investments - Capital	7	-	-	**7**
5	-	-	**5**	Current Assets - Debtors	2	-	-	**2**
213	3	45	**261**	Current Assets - Temporary Advance to Stirling Council	266	3	30	**299**
1,067	**7**	**415**	**1,489**	**Net Assets**	**1,069**	**7**	**410**	**1,486**
(27)	-	-	**(27)**	Capital Adjustment Account	(11)	-	-	**(11)**
(1,040)	(7)	(415)	**(1,462)**	Revenue Reserves	(1,058)	(7)	(410)	**(1,475)**
(1,067)	**(7)**	**(415)**	**(1,489)**	**Reserves**	**(1,069)**	**(7)**	**(410)**	**(1,486)**

55. **Group Movement In Reserves Statement**

	Stirling Council Usable Reserves £000	Group Entities Usable Reserves £000	Total Group Usable Reserves £000	Stirling Council Unusable Reserves £000	Group Entities Unusable Reserves £000	Total Group Unusable Reserves £000	Total Group Reserves £000
Balance b/fwd at 31 March 2010	**(17,581)**	**(3,320)**	**(20,901)**	**(325,357)**	**192,620**	**(132,737)**	**(153,638)**
Movement in Reserves during 2010/11							
(Surplus)/deficit on provision of services	(17,661)	(12,127)	**(29,788)**	-	-	**-**	**(29,788)**
Other Comprehensive Expenditure/(Income)	-	-	-	(30,335)	(18,652)	**(48,987)**	**(48,987)**
Total Comprehensive Expenditure/(Income)	**(17,661)**	**(12,127)**	**(29,788)**	**(30,335)**	**(18,652)**	**(48,987)**	**(78,775)**
Adjustments between accounting basis & funding basis under regulations	18,793	12,196	**30,989**	(18,793)	(12,196)	**(30,989)**	**-**
(Increase)/Decrease in 2010/11	**1,132**	**69**	**1,201**	**(49,128)**	**(30,848)**	**(79,976)**	**(78,775)**
Balance at 31 March 2011	**(16,449)**	**(3,251)**	**(19,700)**	**(374,485)**	**161,772**	**(212,713)**	**(232,413)**

Comparative figures for year ended 31 March 2010:

	Stirling Council Usable Reserves £000	Group Entities Usable Reserves £000	Total Group Usable Reserves £000	Stirling Council Unusable Reserves £000	Group Entities Unusable Reserves £000	Total Group Unusable Reserves £000	Total Group Reserves £000
Balance b/fwd at 31 March 2009	**(31,584)**	**(3,692)**	**(35,276)**	**(390,109)**	**117,078**	**(273,031)**	**(308,307)**
Movement in reserves during 2009/10							
(Surplus)/deficit on provision of services	(103)	8,634	**8,531**	-	-	**-**	**8,531**
Other Comprehensive Expenditure/(Income)	-	-	**-**	78,858	67,280	**146,138**	**146,138**
Total Comprehensive Expenditure/(Income)	**(103)**	**8,634**	**8,531**	**78,858**	**67,280**	**146,138**	**154,669**
Adjustments between accounting basis & funding basis under regulations	14,106	(8,262)	**5,844**	(14,106)	8,262	**(5,844)**	**-**
(Increase)/Decrease in 2009/10	**14,003**	**372**	**14,375**	**64,752**	**75,542**	**140,294**	**154,699**
Balance c/fwd at 31 March 2010	**(17,581)**	**(3,320)**	**(20,901)**	**(325,357)**	**192,620**	**(132,737)**	**(153,638)**

56. **Group Comprehensive Income and Expenditure Statement**

2009/10 Restated Gross Expenditure £000	2009/10 Restated Gross Income £000	2009/10 Restated Net Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
92,042	(4,372)	87,670	Education Services	105,202	(7,795)	97,407
39,829	(40,258)	(429)	Housing Services	54,925	(42,718)	12,207
16,723	(1,874)	14,849	Cultural & Related Services	14,622	(2,002)	12,620
18,286	(5,460)	12,826	Environmental Services	20,013	(5,254)	14,759
5,410	-	5,410	Fire Services	5,034	(430)	4,604
20,101	(7,876)	12,225	Roads & Transport Services	21,890	(7,832)	14,058
9,662	(653)	9,009	Police Services	8,249	(153)	8,096
2,514	(3,531)	(1,017)	Planning & Development Services	4,841	(2,805)	2,036
57,605	(12,011)	45,594	Social Work	60,104	(12,537)	47,567
1,821	(950)	871	Central Services to the Public	1,865	(1,074)	791
3,597	(249)	3,348	Corporate & Democratic Core	4,433	(235)	4,198
11,412	-	11,412	Non Distributed Costs	(32,982)	-	(32,982)
3,730	(977)	2,753	Other Operating Income & Expenditure	4,643	(1,685)	2,958
33	(2)	31	Share of Operating Results of Common Good & Charitable Trusts	47	(29)	18
33,249	(34,548)	(1,299)	Associates and Joint Ventures accounted for on an equity basis	29,156	(51,847)	(22,691)
316,014	**(112,761)**	**203,253**	**Cost Of Services**	**302,042**	**(136,396)**	**165,646**
364	-	364	Other Operating Expenditure	(302)	-	(302)
31,579	(826)	30,753	Financing and Investment Income and Expenditure	31,630	(842)	30,788
-	(225,882)	(225,882)	Taxation and Non-Specific Grant Income	-	(225,959)	(225,959)
45	(5)	40	Tax Expenses	36	-	36
3	-	3	Minority Interests	3	-	3
		8,531	**(Surplus)/Deficit on Provision of Services**			**(29,788)**
		(24,455)	(Surplus)/deficit on revaluation of non current assets			13,478
		103,313	Actuarial (gains)/losses on pension assets/liabilities			(43,813)
		67,280	Share of other comprehensive (income)/expenditure of associates and joint ventures			(18,652)
		146,138	**Other Comprehensive (Income)/Expenditure**			**(48,987)**
		154,669	**Total Comprehensive (Income)/Expenditure**			**(78,775)**

57. **Group Balance Sheet**

1 April 2009 Restated £000	**31 March 2010 Restated £000**		**31 March 2011 £000**
323	446	Intangible Assets	393
710,596	749,055	Property, Plant & Equipment	730,113
4,619	6,846	Investment Property	5,295
1,264	1,347	Assets held for sale	1,474
8,320	7,746	Long-term investments and/or investments in associates and joint ventures	9,114
10,112	9,776	Long Term Debtors	9,497
735,234	**775,216**	**Long Term Assets**	**755,886**
186	198	Inventories	392
14,447	15,289	Short Term Debtors	13,990
-	39	Assets held for sale	255
15,258	3,345	Cash and Cash Equivalents	10,418
29,891	**18,871**	**Current Assets**	**25,055**
(1,757)	(6,506)	Short Term Borrowing	(3,790)
(41,089)	(37,675)	Short Term Creditors	(47,005)
(2,909)	(843)	Provisions	(799)
(45,755)	**(45,024)**	**Current Liabilities**	**(51,594)**
(123,626)	(123,295)	Long Term Borrowing	(131,011)
(75,595)	(73,713)	Finance Lease Liability	(71,944)
(3,009)	-	Capital Grants Receipts in Advance	(52)
(4,032)	(3,933)	Provisions	(3,443)
(2,220)	(2,112)	Long Term Creditors	(1,997)
(117,617)	(193,372)	Liabilities in associates and joint ventures	(162,809)
(84,603)	(198,637)	Other Long Term Liabilities (Pensions)	(125,312)
(410,702)	**(595,062)**	**Long Term Liabilities**	**(496,568)**
308,668	**154,001**	**Net Assets**	**232,779**
(390,109)	(325,357)	Unusable reserves	(374,485)
(31,584)	(17,581)	Usable Reserves	(16,449)
113,386	189,300	Group Reserves	158,521
(308,307)	**(153,638)**	**Group Reserves**	**(232,413)**
(361)	(363)	Minority Interests	(366)
(308,668)	**(154,001)**	**Total Reserves**	**(232,779)**

58. **Group Cashflow Statement**

The impact of adding the 4 Subsidiary Companies, Charitable Trusts and the Stirling, Callander and Bridge of Allan Common Good Funds to the Stirling Council single entity results within the Group Cashflow Statement is to increase the Cash & Cash Equivalents at the end of the reporting period by £3.262m.

2009/10 Restated £000		**2010/11 £000**
8,531	Net (surplus)/deficit on the provision of services	(29,788)
(8,852)	Adjust for entities included in the net (surplus)/deficit on the provision of services that are excluded from the group cashflow statement (associates and joint ventures)	12,031
(9,095)	Adjust net (surplus)/deficit on the provision of services for non cash movements	(12,007)
(4)	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	2,363
(9,420)	Net Cash Inflows from Operating Activities	(27,401)
23,330	Investing Activities	22,681
(1,997)	Financing Activities	(2,353)
11,913	**Net (increase)/decrease in cash and cash equivalents**	**(7,073)**
15,258	Cash and cash equivalents at the beginning of the reporting period	3,345
3,345	**Cash and cash equivalents at the end of the reporting period**	**10,418**

59. **Notes to the Group Accounts**

Group Accounting Policies

The group accounting policies are those specified for the single entity financial statements where materially different accounting policies of group members have been aligned to those of the Council. The accounting policies of all group members are materially the same as those of the Council.

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

Disclosure of Interest in Other Entities

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

A full set of group accounts, in addition to the Council's accounts, has been prepared which incorporates material balances from identified associates.

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's Accounting Policies.

Financial Impact of Consolidation

By including the group entities, the effect on the Group Balance Sheet is a reduction in both Reserves and Net Assets (excluding minority interests) of £158.521m. This represents the Council's share of the net liabilities in these entities. The main reason for the reduction is the inclusion of pension fund deficits attributable to the Police, Fire and Valuation Joint Boards.

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.

Group 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 28.

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 and Charitable Trusts held by the Council 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 - 25% of voting rights held by Stirling Council
Raploch URC Landholdings Ltd - 25% of voting rights held by Stirling Council
Stirling District Tourism Ltd - 42.9% of voting rights held by Stirling Council

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

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

The Accounting period end for all entities is the 31st March 2011

Non-Material Interest in Other Entities

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. A wide range of bodies including local authorities, Sport Scotland and governing sports bodies funds the partnership. 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 2010/11, 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.

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 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets and Cash-Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Non-Domestic Rate Account and the Council Tax Income Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

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 and Procurement and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of the group and of Stirling Council as at 31 March 2011 and of the income and expenditure of the group and Stirling Council for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Foreword by the Head of Finance & Procurement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2010/11 Code; or
- there has been a failure to achieve a prescribed financial objective.

I have the following to report in respect of these matters.

Failure to achieve a prescribed financial objective

While it has not been necessary to qualify my opinion in respect of the following matter I am required to report it to you.

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 2011 in respect of the Building Cleaning significant trading operation.

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

Date   30 September 2011