



CLACKMANNANSHIRE
COUNCIL

STATEMENT OF ACCOUNTS

2006/07

CLACKMANNANSHIRE COUNCIL STATEMENT OF ACCOUNTS 2006/07

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CLACKMANNANSHIRE COUNCIL

EXPLANATORY FOREWORD 2006/07

BY THE HEAD OF FINANCE

Introduction

The financial statements represent the financial position of Clackmannanshire Council as at 31st March 2007. These have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006 – A Statement of Recommended Practice (SORP).

The purpose of these Accounts is to provide clear information about the Council's financial position and this explanatory foreword is intended to give the reader an easily understandable guide to the most significant matters reported in the financial statements.

The introduction of the 2006 SORP has resulted in material changes to the presentation of the Council's 2006/07 financial results. These changes mean the Council's accounts are materially compliant with generally accepted accounting practice. Key changes have included the introduction of the following new statements:

- Income and Expenditure Account – a summary of the resources generated and consumed by the council in the year.
- Statement of the Movement on the General Fund Balance – a reconciliation showing how the balance of resources generated/consumed in the year links in with the statutory requirements for raising council tax.
- Statement of Total Recognised Gains and Losses – demonstration of how movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
- The supplementary Housing Revenue Account are presented in a similar format.

Financial Statements

The accounting statements that follow consist of:

- A Statement of Responsibilities for the Accounts which sets out the respective responsibilities of the Authority and the Head of Finance for the accounts.
- A Statement on the System of Internal Financial Control which sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit.
- A Statement of Accounting Policies that explains the basis of the figures in the accounts and outlines the accounting policies adopted.
- The 'core' financial statements, together with supporting notes, which record the revenue and capital expenditure activities of the Council together with the Council's net worth as demonstrated through the balance sheet.
- Supplementary Statements covering the operation of the Housing Revenue Account and the Council Tax and Non-Domestic Rate Income Accounts. A Statement of Common Good and Charitable Trusts is also included which records the financial performance of those activities administered by the Council
- Group Accounts Statements which combine the revenue and balance sheet figures for the Council as a whole with those of separate companies and bodies in which the Council has a controlling interest.

Income and Expenditure Account

A substantial deficit of £10.721m is recorded for the year in this new Statement. This is because the Income and Expenditure Account is now in line with Generally Accepted Accounting Practice, in that it reflects the true financial position of the Council before allowing for adjustments provided by statute when determining sums due from council tax.

The accompanying Statement of Movement on the General Fund Balance and associated note records the statutory adjustments totalling £10.598m which reduces the deficit to a figure of £123k. The most significant item is the removal of depreciation charges on fixed assets and replacement with charges for financing capital expenditure.

Budgetary Performance - General Fund

Overall the Council showed a deficit of £123k for the year, against a budgeted deficit of £69k. There was an overspend of £500k on departmental budgets, which represents a variance of 0.55% on spending plans. Improvements in cash flow together with lower interest rates resulted in £749k additional interest on revenue balances received beyond budget estimate. These were offset by capital financing costs which were £160k above budget. Unbudgeted expenditure of £960k was incurred on advisors fees and other associated costs in connection with the planned new Secondary Schools under the Private Finance Initiative. These costs were a major contributory factor for the overall deficit in the year

Council Tax performance again showed an improvement over previous years, with in-year collection now standing at 92.6% compared to 92.1% in 2005/06. Council tax yield for the year was £19.942m, which was £356k below budget, mainly due to an over-estimation of the increase in the tax base as a result of new housing developments in the County.

A review of the general fund bad debt provision provided an opportunity to reduce the provision by £227k whilst still maintaining adequate cover. This compares to an increase in the sum budgeted of £55k.

Claims for equal pay were received from groups of employees in catering, cleaning and homecare. The Council has made offers of compensatory payments, a number of which have been accepted and paid out. A provision was made in the accounts in 2005/06 of £1.435m to cover the estimated cost to the Council. A further provision of £437k has been made in 2006/07 to cover additional costs.

General Fund Account - Revenue Balance

The General Fund balance at the end of the year totalled £3.758m. Within this year-end General Fund balance, £2.807m is earmarked for specific purposes as outlined in the Statement of Movement on the General Fund Balance. This leaves only £951k generally available for new expenditure

The Council has recommended that the minimum revenue balance that is required to be held for unanticipated expenditure is £1.8m. The actual un-earmarked element of the revenue balance has fallen below this level.

Revenue Budget Performance - Housing Revenue Account

The Housing Revenue Account deals with council house management transactions. It ended the year with a surplus of £0.347m, which was a variance of only £50k from the budgeted net income of £0.397m.

Taking into account the balance brought forward from the previous financial year the accumulated balance on the Housing Revenue Account at 31 March 2007 is £6.417m.

The Council has recommended a minimum working revenue balance of £750k. The accumulated sum in excess of this is earmarked to assist with improving the housing stock to achieve the Scottish Housing Quality Standard by 2015.

Revenue Support Grant and Non Domestic Rates Distribution

These items collectively make up the funding received from the Scottish Executive towards the costs of local government services.

The original Revenue Support Grant funding settlement for 2006/07 was £50.411m. A number of redeterminations during the year in respect of specific initiatives, together with funding carried forward from 2005/06 resulted in a final funding figure of £51.623m, which is an increase of 4.1% on the previous year.

Our distribution of funding of £17.876m from the National Non Domestic Rates pooling arrangement shows a small increase of £52k from the previous year.

Capital Expenditure

A total of £22.4m was spent on the capital account during the year. Capital receipts and grants totalled £5.2m. The net sum required to be financed from borrowing was £17.0m.

Pensions Accounting

Financial Reporting Standard 17(FRS 17) 'Retirement benefits' is fully adopted in the accounts. Although there is no impact on the council tax or rent payer, the net pension liability has decreased to £42.0m from £52.6m last year. Details are explained in Note 4 to the Core Financial Statements.

Significant Trading Operations

The Councils trading operations are disclosed in Note 3 to the Core Financial Statements. The net surplus achieved on these trading units in the year was £194k, and both operations comfortably met the statutory requirement to break-even over a three-year period.

Current Developments

Secondary School Development PPP

The Council concluded financial close in March 2007 with the preferred bidder on the c£70m redevelopment of the Secondary School Estate under a Public Private Partnership agreement (PPP). The project involves the construction of three new secondary schools to replace the existing Alloa Academy, Alva Academy and Lornshill Academy. The schools at Alloa and Alva will be constructed on new sites, while Lornshill will be built on its existing site.

It is anticipated that the first school will be ready for occupation at the end of October 2008.

Ceteris

The Council previously rented its offices at Lime Tree from Ceteris (Scotland) Limited, and Ceteris leased several properties from the Council which they use to provide lettings to small businesses.

During 2006/07, a Title Swap of these properties at current market values was concluded. The Council has secured title to Lime Tree, and Ceteris, in turn, has gained title to a number of business premises which it manages. This transaction has released the Council from ongoing landlord responsibilities and in addition the deal secured payment of outstanding debts and interest thereon due to the Council.

The effect of this Title Swap is that Lime Tree has been acquired at a value of £2.2m and in turn, the various properties transferred to Ceteris amounted to £1.175m. These transactions are recorded as additions and disposals to fixed assets.

Stirling-Alloa-Kincardine Rail Link

The Stirling-Alloa-Kincardine rail link re-opening is a major infrastructure project which is being funded by the Scottish Executive with contributions from the Strategic Rail Authority, Scottish Enterprise Forth Valley, Fife Council and Clackmannanshire Council. A new railway station is being built in Alloa town centre, allowing direct hourly passenger services to operate between Alloa, Stirling and Glasgow Queen Street. The estimated total cost of the project is c£62m of which the Council's contribution is £2.5m.

The Council is responsible for processing all contract and associated payments in relation to this project. During 2006/07, £44.3m recoverable from funding partners relating to this project is included as both expenditure and income within the Highways, roads and transport services line of the Income and Expenditure Account. The Council's contribution during the year of £870k is included as capital expenditure and itemised within Note 17 of the notes to the Core Financial Statements.

Acknowledgements

I wish to record my thanks to staff of the Finance Service and colleagues in other departments, all of whose efforts have contributed to the completion of these accounts.

Further Information

Further information on the Accounts or on the Council's general finances can be obtained at Corporate Development Services - Finance, Greenfield, Alloa.

Muir S. Wilson, B.A., FCCA
Head of Finance
27th September 2007

CLACKMANNANSHIRE COUNCIL

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Council's responsibilities

The Council is required to:

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

The responsibilities of the Head of Finance

The Head of Finance is responsible for the preparation of the authority'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 of Practice).

In preparing the statement of accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Head of Finance has also:

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

Statement by the Head of Finance

The Statement of Accounts presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2007.

Muir S Wilson, B.A., FCCA
Head of Finance
27th September 2007

CLACKMANNANSHIRE COUNCIL

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the consolidated statement of accounts for Clackmannanshire Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources at the Council's disposal.

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. Consequently, the Council continually seeks to improve the effectiveness of its systems of internal control.

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. Maintenance and development of the system is undertaken by management within the Council. In particular, the system includes:

- detailed budgeting systems;
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- targets against which financial and operational performance can be assessed;
- preparation of regular financial reports that compare expenditure with plans and forecasts;
- clearly defined capital expenditure guidelines; and
- where appropriate, formal project management disciplines.

The Internal Audit function is provided by the Internal Audit section as part of Finance Services. The section reports directly to myself, although also has unrestricted access to the Chief Executive, Monitoring Officer and Elected Members of the Council as and when required. The Chief Internal Auditor reports in his own name to the Policy and Audit Committee. These reports include an Annual Plan (which is informed by an assessment of risk that the Council is exposed to), an Annual Report measuring performance against the Plan for the year, as well as audit findings throughout the year. The Internal Audit section operates in accordance with CIPFA's Code of Practice for Internal Audit in Local Government. This is enshrined within the Financial Regulations. Staff absences within the section have resulted in a reduction in the available Internal Audit resource. However, by concentrating efforts on higher risk category work the impact of reduced resources has been partly contained, although a number of reviews contained within the Plan could not be undertaken.

My review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within the Council who have responsibility for the maintenance and development of the financial control framework;
- the work of the internal auditors as described above; and
- the external auditors in their annual audit letter and other reports.

Having reviewed the above, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system. However, there are two areas in which ongoing work would enhance control mechanisms. These are:

1. The development associated with the Council's main financial ledger system - to improve the extraction and availability of management information. This is expected to be in place during 2007/08.
2. The approval of a formal Corporate Debt Policy which will improve our Sundry Debtors process.

For the first time, this statement also covers the Council's interests in six organisations incorporated in the Group Accounts. They are listed at the end of Note 20 of the accounts.

The Valuation Joint Board (VJB) is administered by Clackmannanshire Council, and so the comments above on systems of internal control also apply to that organisation, of which I am Treasurer. During the year, the Internal Audit section produced an audit report on the VJB.

The other two Joint Boards (Police and Fire), are administered by Stirling and Falkirk Councils respectively, and will be subject to those Councils' systems of internal financial control. However, through councillor representation on both Boards, as well as work undertaken by both Councils' Finance Officers, I am satisfied that there is an adequate monitoring system in place on which I can rely.

The Council is represented on the Boards of both CSBP Joint Venture Companies, as well as Apex Leisure (Management) Ltd. I am also satisfied that there is adequate representation of the Council's interests in the monitoring and control of these organisations, in line with the level of interest and materiality of the figures involved.

Muir S Wilson, B.A., FCCA
Head of Finance
27th September 2007

CLACKMANNANSHIRE COUNCIL

STATEMENT OF ACCOUNTING POLICIES

The following policies apply to the Accounts of Clackmannanshire Council for the year 2006/07

1. General Principles

The Statement of Accounts summarises the council's transactions for the 2006/07 financial year and its position at the year-end of 31 March 2007. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets

2. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between when the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

3. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

4. Reserves

Reserves are created by appropriating amounts in the General Fund. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies below.

The Council has established an Insurance Fund as a provision against future claims. Council services contribute to the fund, which meets the cost of fire damage; public liability; employee liability; vehicle fleet and various other claims. The Council holds insurance cover to meet any large claims, the premium for which is charged to the fund.

5. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the Income and Expenditure Account after net Operating Expenditure.

6. Retirement Benefits

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

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

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

The Teachers Pension Scheme

The scheme provides teachers with defined 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 not able to identify each individual body's share of underlying liabilities on a consistent and reasonable basis and as such this is accounted for as if it were a defined contribution scheme – no liability for future payments of benefits is recognised in the balance sheet and the Education service revenue account is charged with contributions payable in the year by the Council.

The Local Government Pension Scheme

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

- The liabilities of the Falkirk pension scheme 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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.4% (based on the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years).
- The assets of Falkirk pension fund attributable to the council are included in the balance sheet at their fair value:
 - quoted securities – mid-market value
 - unquoted securities – professional estimate
 - unitised securities – average of the bid and offer rates
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employee 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 Net Cost of Services in the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account
 - expected return on assets – the annual investment return on the fund assets attributable to the council, based on the average of the expected long-term return – credited to the Net Operating Expenditure in the Income and Expenditure Account

- 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 to the Net Cost of Services in the Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses

- contributions paid to the Falkirk pension fund – cash paid as employer’s contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Statement of Movement on the General Fund Balance 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 any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early 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.

7. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

8. 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 2006. 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. (However, an allocation of Democratic costs is made to the Housing Revenue Account to reflect the proportion attributable to council housing issues).
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two costs categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits (5 to 10 years).

10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Council Dwellings are included in the balance sheet at existing use value for social housing.

- Other Land and Buildings are included in the balance sheet at the lower of replacement cost or net realisable value
- Vehicles, Plant, Furniture and Equipment are valued at historic cost and are depreciated over their useful economic life.
- Infrastructure Assets are valued at their historic cost net of depreciation where this can be determined.
- Investment Properties are included in the balance sheet at open market value for existing use or depreciated replacement cost as appropriate.
- Assets under construction are included in the balance sheet at actual cost.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains. All assets were last revalued as at 1st April 2005.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against the Fixed Asset Restatement Account

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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).

Capital receipts are required to be credited to the Usable 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 Statement of Movement on the General Fund Balance.

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

Depreciation: depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the balance sheet over periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- | | |
|---|------------------|
| • Council Dwellings | 18.5 to 26 years |
| • Other Land and Buildings | 5 to 52 years |
| • Vehicles, Plant, Furniture and Equip. | 3 to 15 years |
| • Infrastructure Assets | 60 years |
| • Investment Properties | 21 to 52 years |
| • Intangible Assets | 5 to 10 years |

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to cover depreciation, 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. Depreciation, impairment losses and amortisations are therefore replaced by loans fund principal repayments in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

12. Leases

Finance Leases

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as lease becomes payable) and;
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the lease becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Lease payments are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that they are charged when they become payable.

13. Repurchase of Borrowing

Gains and losses on the purchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of purchase/settlement. However, where repurchase has taken place as part of restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the balance sheet and written down to revenue on a straight-line basis over the term of the replacement loans.

14. Investments

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

15. Stocks and Work in Progress

Stocks are included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

16. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures 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 investments, i.e. at cost, less any provision for losses.

CLACKMANNANSHIRE COUNCIL

INCOME AND EXPENDITURE ACCOUNT For the year ended 31 March 2007

This account summarises the resources that have been generated and consumed in providing services and managing the council during the year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2005/06	Notes	2006/07	2006/07	2006/07
<u>Net</u>		<u>Gross</u>	<u>Gross</u>	<u>Net</u>
<u>Expend</u>	<u>Services</u>	<u>Expenditure</u>	<u>Income</u>	<u>Expenditure</u>
£000		£000	£000	£000
681	2	1,696	(976)	720
16,377	Central services to the public	21,046	(6,905)	14,141
	Cultural, environmental and planning services			
41,833	Education services	58,823	(9,145)	49,678
3,802	Highways, roads and transport Services	48,174	(44,561)	3,613
3,830	Local authority housing (HRA)	16,136	(12,230)	3,906
1,185	Other housing services	18,250	(17,568)	682
18,925	Social work	30,037	(9,518)	20,519
1,889	Corporate and democratic core	2,126	(90)	2,036
1,047	Non distributed costs	842	(1,570)	(728)
89,569	Net Cost of Council Provided Services	197,130	(102,563)	94,567
	Requisitions from Joint Boards:			
3,770	- Police	3,926		3,926
2,700	- Fire	2,759		2,759
343	- Valuation	379		379
6,813		7,064		7,064
96,382	Net Cost of Services	204,194	(102,563)	101,631
(3,144)	Gain on the disposal of fixed assets			(6,569)
(274)	Surpluses on trading undertakings not included in Net Cost of Services			(50)
6,212	Interest payable and similar charges			7,092
(1,339)	Interest and investment income			(2,165)
<u>740</u>	Pension interest cost and expected return on pension assets			<u>223</u>
98,577	Net Operating Expenditure			100,162
	Financed By:			
(18,630)	Council Tax			(19,942)
(49,557)	General government grants			(51,623)
<u>(17,824)</u>	Non Domestic rates redistribution			<u>(17,876)</u>
(86,011)				(89,441)
12,566	Deficit for the year			10,721

CLACKMANNANSHIRE COUNCIL

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE For the year ended 31 March 2007

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

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

The General Fund Balance compares the council's spending against the council tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to funds and reserves.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

<u>2005/06</u> <u>£000</u>		<u>2006/07</u> <u>£000</u>
12,566	Deficit for the year on the Income and Expenditure Account	10,721
(11,357)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(10,598)
<u>1,209</u>	Decrease in the General Fund Balance for the year	<u>123</u>
(5,090)	General Fund Balance brought forward	(3,881)
<u>(3,881)</u>	General Fund Balance carried forward	<u>(3,758)</u>
(1,016)	Amount of General Fund Balance held by schools under the Scheme of Devolved Management within Education	(1,243)
0	Amount of General Fund Balance held by schools under the scheme of Area Management Boards	(300)
0	Amount of General Fund Balance earmarked for Schools PPP	(196)
(242)	Amount of General Fund Balance held under the Service Improvement Contract (SIMCO) agreement between Housing and Property Contracts	(275)
0	Amount of General Fund Reserve set aside for Single Status	(400)
0	Supporting People unspent grant carried forward	(393)
(2,623)	Amount of General Fund Balance generally available for new expenditure	(951)

Supplementary Note of reconciling items for the Statement of Movement on the General Fund Balance

2005/06 £000		2006/07 £000	2006/07 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(15,527)	Depreciation and impairment of fixed assets	(19,606)	
16	Government Grants Deferred amortisation	16	
3,144	Net Gain on the sale of fixed assets	6,569	
<u>(2,656)</u>	Net charges made for retirement benefits in accordance with FRS 17	<u>(1,060)</u>	
(15,023)			(14,081)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
2,755	Loans fund principal	3,136	
<u>80</u>	Capital expenditure charged in-year to the General Fund Balance	<u>0</u>	
2,835			3,136
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
<u>831</u>	Housing Revenue Account balance		<u>347</u>
(11,357)	Net additional amount required to be credited to the General Fund balance for the year		(10,598)

CLACKMANNANSHIRE COUNCIL

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 March 2007

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2005/06		2006/07
<u>£000</u>		<u>£000</u>
12,566	Deficit for the year on the Income and Expenditure Account	10,721
(107,232)	(Surplus)/deficit arising on revaluation of fixed assets	2,805
2,629	Actuarial (gains)/losses on pension fund assets and liabilities	(11,703)
(91)	(Gains)/losses on Insurance Fund	62
<hr/>		<hr/>
(92,128)		1,885
<hr/>		<hr/>

CLACKMANNANSHIRE COUNCIL
BALANCE SHEET
For the year ended 31 March 2007

31 March 2006	Notes		31 March 2007	31 March 2007
£000			£000	£000
		Fixed Assets		
409	14	Intangible Assets	493	
		Tangible Fixed Assets		
		Operational Assets:		
143,545	15	council dwellings	142,174	
101,175	15	other land and buildings	94,605	
3,300	15	vehicles, plant, furniture and equipment	4,176	
12,824	15	infrastructure assets	16,161	
		Non-Operational Assets:		
15,741	15	investment properties	15,636	
513	15	assets under construction	2,570	
198		surplus assets held for disposal	191	
277,705		Total fixed assets		276,006
774	19	Long-term investments		636
68	21	Long-term debtors		38
5,220	18	Deferred premiums on the early repayment of debt		4,907
283,767		Total long-term assets		281,587
		Current assets		
475	22	Stocks and work in progress	534	
18,323	23	Debtors	13,642	
13,119		Investments	11,874	
2,407		Cash and bank	227	26,277
318,091		Total assets		307,864
		Current Liabilities		
(1,325)	24	Short-term borrowing	(1,007)	
(22,750)	25	Creditors	(19,273)	(20,280)
294,016		Total assets less current liabilities		287,584
		Long-term liabilities		
(90,340)	24	Long-term borrowing		(94,204)
(1,875)	26	Provisions		(1,008)
(409)	28	Government grants deferred		(3,603)
(964)	27	Deferred liabilities		(869)
(52,627)		Liability related to defined benefit pension scheme		(41,984)
147,801		Total assets less liabilities		145,916
		Financed by:		
143,556	34	Fixed Asset Restatement Account		138,885
46,370	34	Capital Financing Account		35,103
0	34	Capital Receipts Reserve		3,248
(52,627)	34	Pensions reserve		(41,984)
3,881	34	General fund balance		3,758
6,070	34	Housing Revenue Account		6,417
551	32 & 34	Insurance fund		489
147,801		Total Net Worth		145,916

Muir S. Wilson, B.A., FCCA
Head of Finance
27th September 2007

CLACKMANNANSHIRE COUNCIL
CASH FLOW STATEMENT
For the year ended 31 March 2007

2005/06 £000	Notes	2006/07 £000	2006/07 £000
	Revenue Activities		
	Cash Outflows		
63,971	Cash paid to and on behalf of employees	69,074	
46,467	Other operating cash payments	51,867	
4,731	Housing Benefit paid out	5,172	
<u>11,609</u>	National non-domestic rate payments to national pool	<u>12,166</u>	
<u>126,778</u>			138,279
	Cash Inflows		
6,689	Rents (after rebates)	6,654	
18,601	Council Tax receipts	19,821	
17,824	National non-domestic rate receipts from national pool	17,876	
11,862	Non-domestic rate receipts	12,393	
49,968	35 Revenue Support Grant	52,059	
11,103	35 DSS grants for benefits	11,612	
10,019	35 Other government grants	14,026	
9,897	Cash received for goods and services	18,001	
<u>2,063</u>	Other operating cash receipts	<u>2,165</u>	
<u>138,026</u>			<u>154,607</u>
(11,248)	35 Net Revenue Activities		(16,328)
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
<u>5,362</u>	Interest Paid		5,866
	Cash Inflows		
<u>608</u>	Interest received		<u>780</u>
4,754	Net Servicing of Capital		5,086
	Capital Activities		
	Cash Outflows		
1,924	Purchase of fixed assets	3,367	
<u>8,330</u>	Other capital cash payments	<u>26,722</u>	
<u>10,254</u>			30,089
	Cash Inflows		
3,720	Sale of fixed assets	5,187	
<u>2,019</u>	Capital grants received	<u>3,248</u>	
<u>5,739</u>			<u>8,435</u>
4,515	Net Capital Activities		21,654
	Acquisitions and disposals		
	Cash Outflows		
0	Investments in associates and joint ventures	412	
	Cash Inflows		
<u>0</u>	Sales of investments in associates and joint ventures	<u>550</u>	
<u>0</u>	Net Acquisitions and disposals		(138)
(1,979)	NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING		10,274
	Management of Liquid Resources		
12,303	Net increase/(decrease) in short term deposits		(1,245)
	Financing		
	Cash Outflows		
302	Repayments of amounts borrowed		32,280
	Cash Inflows		
<u>(8,860)</u>	New loans raised		<u>(39,129)</u>
(8,558)	Net Financing		(6,849)
1,766	35 NET DECREASE IN CASH		2,180

CLACKMANNANSHIRE COUNCIL

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Explanation of Prior Period Adjustments

In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the I & E Account

In addition the following adjustment has been made within the Income and Expenditure Account:

- council housing has been charged the full depreciation charge on assets, rather than capital financing charge

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000	Removal of capital financing charges and depreciation adjustment £000	Relocation of government grants deferred credits £000	Recognition of gains and losses on disposal of fixed assets £000	2005/06 comparatives in Income and Expenditure Account £000
Central services to the public	714	(33)			681
Cultural, environmental and planning services	17,534	(1,157)			16,377
Education services	44,636	(2,803)			41,833
Highways, roads and transport services	4,476	(674)			3,802
Local authority housing (HRA)	(759)	4,589			3,830
Other housing services	1,201		(16)		1,185
Social work	19,058	(133)			18,925
Corporate & Democratic Core	1,898	(9)			1,889
Impact on Net cost of Services	96,578	(220)	(16)	-	96,292
Gain on the disposal of fixed assets				(3,144)	(3,144)
Asset management revenue account (Interest payable and similar charges in 2006/07)	5,926	270	16		6,212
Impact on Net Operating Expenditure	102,035	50	-	(3,144)	98,941

2. Central Services to the Public

An analysis of public services provided by central departments is as shown:

	2005/06	2006/07
	£000	£000
Local Tax Collection	245	265
Registrars	76	72
Elections	64	60
Emergency Planning	123	113
District Court	79	96
General Grants, Bequests and Donations	<u>94</u>	<u>114</u>
	<u>681</u>	<u>720</u>

3. Trading Operations

The Council has identified the following 2 significant trading operations that require to be disclosed in accordance with the Local Government in Scotland Act 2003.

		<u>£000</u>	<u>£000</u>
Property Contracts carries out work primarily for Housing Services. The work ranges from day to day repairs to Council houses to major capital schemes such as window replacements – the trading objective is to achieve budgeted surplus (£250,000)	Turnover	5,489	
	Expenditure	(5,407)	
	Surplus		<u>82</u>
	(Surplus 2004/05)	124)	
	(Surplus 2005/06)	241)	
	(Cumulative surplus over three years	447)	
Environmental & Engineering contracts carries out maintenance work on existing roads infrastructure together with construction of new projects including car parks and lighting schemes - the trading objective is to achieve the budgeted surplus (£80,000)	Turnover	2,225	
	Expenditure	(2,113)	
	Surplus		<u>112</u>
	(Surplus 2004/05)	53)	
	(Surplus 2005/06)	114)	
	(Cumulative surplus over three years	279)	
Net surplus on trading units:			<u>194</u>

It is a requirement of the 2003 Act that Significant Trading Operations must break even over a three year rolling basis. This statutory requirement to break even was comfortably met by both of the Trading Operations.

4. Pension Costs Scottish Teachers Superannuation Scheme

The Teachers Superannuation Scheme is administered by the Scottish Executive Pensions Agency on behalf of teachers employed by Education Authorities. It is a multi-employer scheme and it is not possible to identify each institution's share of the notional assets and liabilities. Therefore, contributions to the scheme are accounted for as if it were a defined contribution scheme. The costs recognised within the results for the year is the contribution payable to the scheme for that year. The scheme is contracted out of the State Earnings-Related Pension scheme.

The total contribution made for the year ended 31 March 2007 was £3.277m (2005/06 £3.107m), of which employer's contributions totalled £2.209m (2005/06 £2.095m) and employee's contributions totalled £1.068m (2005/06 £1.012m). The agreed contribution rates for future years are 13.5% from 2007/08 (2006/07: 12.5%) for employers and 6% (2006/07: 6%) for employees.

The Council is also required to meet the cost of benefits arising from compensatory added years (including any related increases), as well as costs arising from the early release of benefits in the Teachers Pension Scheme. In 2006/07 these amounted to £0.403m representing 2.28% of pensionable pay (£0.403m, representing 2.41% of pensionable pay in 2005/06).

Local Government Pension Scheme

The Local Government Pension Scheme is a funded scheme administered by Falkirk Council and provides defined benefits for non-teaching employees. This means that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets. Although retirement benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out within the Statement of Movement on the General Fund Balance.

Transactions Relating to Retirement Benefits

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

	2005/06 £000	2006/07 £000
Income and Expenditure Account		
<i>Net Cost of Services</i>		
• current service cost	(5,319)	(6,695)
• curtailments and settlements	(270)	(842)
• past service cost	(777)	1,570
<i>Net Operating Expenditure</i>		
• interest cost	(7,910)	(8,898)
• expected return on assets in the scheme	7,170	8,675
<i>Net charge to the Income and Expenditure Account</i>	(7,106)	(6,190)
Statement of Movement in the General Fund Balance		
• reversal of net charges made for retirement benefits in accordance with FRS 17	7,106	6,190
Actual amount charged against council tax for Pensions in the year:		
• employers' contributions payable to scheme	(4,450)	(5,130)

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March in respect of the Local Government Pension Scheme are as follows:

	31 March 2007 £000s	31 March 2006 £000s	31 March 2005 £000s
Estimated liabilities in Scheme	(165,700)	(166,509)	(134,101)
Estimated liabilities arising from unfunded discretionary benefits	(13,731)	(13,437)	(10,774)
Estimated assets Scheme	137,447	127,319	97,533
Net asset/(liability)	(41,984)	(52,627)	(47,342)

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The liability of £42m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions from employers, as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme liabilities have been assessed by Hymans Robertson, an independent firm of Actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2005.

The main assumptions used in their calculations have been: -

	2006/07	2005/06	2004/05
Rate of Inflation	3.2%	3.1%	2.9%
Rate of increase in salaries	4.7%	4.8%	4.4%
Rate of increase in pensions	3.2%	3.1%	2.9%
Rate for discounting scheme liabilities	5.4%	4.9%	5.4%

Assets in the Falkirk Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories by proportion of the total assets held by the Fund:

	Long Term Return March			31 March 2007	31 March 2006	31 March 2005
	2007	2006	2005			
Equity Investments	7.8%	7.4%	7.7%	73%	73%	74%
Bonds	4.9%	4.6%	4.8%	14%	13%	11%
Property	5.8%	5.5%	5.7%	11%	11%	11%
Cash	4.9%	4.6%	4.8%	2%	3%	4%
				100%	100%	100%

Actuarial Gains and Losses

The pension reserve mitigates the effect on the Income and Expenditure Account of the differences between the accounting cost, as calculated under FRS 17, and the funding cost, being the employer contributions made to the scheme throughout the year.

The actuarial losses identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as percentage of assets or liabilities at 31 March 2007:

	2006/07 £000	%	2005/06 £000	%
Differences between the expected and actual return on assets	(1,115)	(0.8%)	17,340	13.6%
Differences between actuarial assumptions about liabilities and actual experience	217	0.1%	172	0.1%
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	12,601		(20,141)	
	11,703		(2,629)	

A History of Experience Gains and Losses is as follows:

	Year to 31 Mar 2007 £000	Year to 31 Mar 2006 £000	Year to 31 Mar 2005 £000	Year to 31 Mar 2004 £000	Year to 31 Mar 2003 £000
Difference between the expected and actual return on assets	(1,115)	17,340	2,939	13,091	(25,606)
Value of Assets	137,447	127,319	97,533	87,205	68,490
Percentage of assets	(0.8%)	13.6%	3.0%	15.0%	(37.4%)
Experience Gains/ (Losses) on liabilities	217	172	2	161	1,439
Total Present Value of Liabilities	179,431	179,946	144,875	109,714	95,530
Percentage of the Total Present Value of Liabilities	0.1%	0.1%	-	0.1%	1.5%
Actuarial Gains/ (Losses) recognised in STRGL	11,703	(2,629)	(23,641)	13,252	(24,167)
Total Present Value of Liabilities	179,431	179,946	144,875	109,714	93,530
Percentage of the Total present Value of Liabilities	6.5%	(1.5%)	(16.3%)	12.1%	(25.8%)

5. Agency Agreements

The Council has an agency agreement with Scottish Water for the billing and collection of water and sewerage charges on its behalf. The income received from the Water Authority towards the Council's local tax collection costs was £0.126m (2005/06 - £0.111m). This income is included in the Income and Expenditure Account.

6. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Under subsection (d) of the Act the Council carried out cleaning and other maintenance work at Alloa Fire Station on behalf of Central Scotland Fire Joint Board. Income from these services amounted to £13,658 in 2006/07 (2005/06 £13,429).

Roads and property maintenance work was carried out on behalf of Forth Valley College. Income from these services amounted to £20,362 in 2006/07 (2005/06 £333).

During the year a catering contract was awarded on behalf of Scottish Borders Council. the income received in 2006/07 amounted to £27,791.

Similarly, minor property, cleaning, catering, grounds and vehicle maintenance work were undertaken on behalf of the following public bodies:

- Central Scotland Police Joint Board – income 2006/07 £3,652 (2005/06 £7,959)
- Falkirk Council – income 2006/07 £2,835 (2005/06 £831)
- Stirling Council – income 2006/07 £255 (2005/06 Nil)
- Forth Valley Primary Care NHS Trust – income 2006/07 £7,148 (2005/06 £5,723)
- Scottish Enterprise – Careers Service - income 2006/07 £3,667 (2005/06 Nil)

7. Local Government Act 1986 - Publicity Account

Under the terms of Section 5(1) of the above Act the Council must disclose the total expenditure incurred in respect of publicity. The sum included within services expenditure is as follows:

	2005/06	2006/07
	£000	£000
Staff Recruitment	208	139
Other Publicity	<u>133</u>	<u>106</u>
	<u>341</u>	<u>245</u>

8. Operating Leases

Vehicles, Plant, Furniture and Equipment – the authority uses computer equipment, plant, vehicles, wheeled bins and street lighting financed under terms of an operating lease. The amount paid under these arrangements in 2006/07 was £370,000 (2005/06 £485,000).

The authority was committed at 31st March 2007 to making payments of £293,000 under operating leases in 2007/08, comprising the following elements:

	Vehicles, Plant and Equipment
	£000
Leases expiring in 2007/08	<u>86</u>
Leases expiring between 2008/09 and 2012/13	114
Leases expiring after 2012/13	93

9. Pooled Funds

A Local Partnership agreement exists between Clackmannanshire Council and NHS Forth Valley (Health Board, Primary Care Trust and Acute Trust) and covers all community care client groups. The shared vision is for better outcomes to be secured for people who require services and their carers, and for improved partnership working between our agencies. Budgets from Clackmannanshire Council and NHS Forth Valley have been aligned to support this as follows:

	Budget	Expenditure
	2006/07	2006/07
	£000	£000
Integrated Mental Health Management	197	179
Skills Training	260	222
Mental Health Day Unit	<u>512</u>	<u>510</u>
	<u>969</u>	<u>911</u>
Clackmannanshire Council	47%	44%
NHS Forth Valley	53%	56%

10. Members' Allowances

The total amount paid in respect of members' allowances for 2006/07 was £205,000 (2005/06 - £203,000).

11. Officers' Remuneration

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 is detailed below.

Remuneration Band	Number of Employees	
	2005/06	2006/07
£50,000 - £59,999	14	14
£60,000 - £69,999	4	2
£70,000 - £79,999	1	3
£80,000 - £90,000	<u>1</u>	<u>1</u>
	<u>20</u>	<u>20</u>

12. Related Party Transactions

Authorities are required to disclose transactions between themselves and related parties. In this context related parties include: -

- Central Government
- Other Local Authorities and Joint Boards
- Subsidiary and Associated Companies
- Joint Ventures and Joint Venture Partners
- Elected Members and Chief Officers

The following related party transactions in 2006/07 are disclosed elsewhere within the Statement of Accounts: -

- Receipts from Central Government (Revenue Support Grant, NNDR Contribution from Pool, Government Grants etc) are shown on the Cash Flow Statement
- Payments to the Falkirk Council Superannuation Fund and Scottish Executive (Teachers' Pensions) are shown in Note 4 to the Core Financial Statements.
- Requisitions paid to Joint Boards are shown on the Income and Expenditure Account.
- Payments to Elected Members and Chief Officers are shown in Notes 10 and 11 to the Core Financial Statements.

Other significant related party transactions not included elsewhere within the Statement of Accounts are: -

- Apex Leisure (Management) Limited**
The Council made net payments of £354,000 (2005/06 - £104,000). This payment includes a wet subsidy towards running of Alloa Leisure Bowl of £247,000 (2005/06 - £136,000). Expenditure is offset by loan repayments to the Council of £29,000 (2005/06 £28,000).
- East of Scotland European Consortium**
The Council is a partner in the above Consortium, and made a membership contribution of £7,000 (2005/06 £7,000). This payment is included within the Corporate and Democratic Core figure in the Income and Expenditure Account.
- The South East of Scotland Regional Transport Partnership (SESTRAN)**
The Council's contribution to this partnership was £8,000 (2005/06 Nil). The Council received Revenue and capital grants and contributions towards transportation projects during 2006/07 as follows:
 - Grants for Capital Expenditure £217,000
 - Grants for Revenue Expenditure £25,000
 - Travel Plan/Round the Forth Grants £3,000

13. Audit Costs

In 2006/07 Clackmannanshire Council incurred the following fees relating to external audit and inspection:

	2005/06 £000	2006/07 £000
• Fixed fee payable to Audit Scotland	63	58
• Fee payable to Audit Scotland for external audit services	140	159
• Fee payable for additional grant certification	25	-
• Fee payable for involvement in HMle Pilot Study	3	-
• Schools PPP Preliminary Opinion	-	15

14. Intangible Assets

Intangible assets relate to the purchase of software licences. The movement of Intangible assets are recorded below.

	2005/06 £000	2006/07 £000
Cost at 1 st April	268	482
Additions at Cost	<u>214</u>	<u>180</u>
Cost at 31 st March	<u>482</u>	<u>662</u>
Accumulated Depreciation at 1st April	19	73
Depreciation charge for Year	<u>54</u>	<u>96</u>
Accumulated Depreciation at 31 st March	<u>73</u>	<u>169</u>
Net Book Value at 1 st April	<u>249</u>	<u>409</u>
Net Book Value at 31 st March	<u>409</u>	<u>493</u>

15. Movement of Fixed Assets

	OPERATIONAL ASSETS				NON OPERATIONAL ASSETS			TOTAL £000
	Council dwellings* £000	Other Land and buildings £000	Vehicles plant, furniture & equipment £000	Infra-structure Assets £000	Investment Properties £000	Assets under Construction £000	Surplus Assets £000	
Cost or Valuation at 31 st March 2006	150,456	106,098	5,542	14,033	15,741	513	205	292,588
Revaluation adjustment	0	71	-	-	90	-	-	161
Cost or Valuation at 1 st April 2006	150,456	106,169	5,542	14,033	15,831	513	205	292,749
Capital Exp. At Cost	8,967	5,275	1,381	3,571	1,012	2,192	-	22,398
Adjustment for Exp. not adding value	<u>(2,767)</u>	<u>(116)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,883)</u>
	6,200	5,159	1,381	3,571	1,012	2,192	-	19,515
Transfers	-	-	135	-	-	(135)	-	-
Additions at cost	<u>6,200</u>	<u>5,159</u>	<u>1,516</u>	<u>3,571</u>	<u>1,012</u>	<u>2,057</u>	<u>-</u>	<u>19,515</u>
Disposals	<u>(817)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,207)</u>	<u>-</u>	<u>-</u>	<u>(2,024)</u>
Cost or Revaluation At 31st March 2007	<u>155,839</u>	<u>111,328</u>	<u>7,058</u>	<u>17,604</u>	<u>15,636</u>	<u>2,570</u>	<u>205</u>	<u>310,240</u>
Accumulated Depreciation At 1 st April 2006	6,911	4,923	2,242	1,209	-	-	7	15,292
Charge for Year	6,829	11,800	640	234	-	-	7	19,510
Depreciation on Disposals	<u>(75)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75)</u>
Accumulated Depreciation At 31 st March 2007	<u>13,665</u>	<u>16,723</u>	<u>2,882</u>	<u>1,443</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>34,727</u>
Net Book Value At 1 st April 2006	143,545	101,175	3,300	12,824	15,741	513	198	277,296
Net Book Value At 1 st April 2006 after revaluation	143,545	101,246	3,300	12,824	15,831	513	198	277,457
Net Book Value At 31st March 2007	<u>142,174</u>	<u>94,605</u>	<u>4,176</u>	<u>16,161</u>	<u>15,636</u>	<u>2,570</u>	<u>191</u>	<u>275,513</u>

* Council dwellings include the total housing stock, shared ownership properties, lockups, and garages.

16. Valuation of Fixed Assets

Fixed Assets are included in the Balance Sheet at their current asset value as at 1st April 2005 as amended by subsequent additions and disposals. Council Dwellings were valued by the Valuation Office Agency (an executive agency of HM Revenue and Customs) as at 1st April 2005 at £152.147m. Other lands and heritages were valued by DM Hall Chartered Surveyors as at 1st April 2005 at £120.447m. The basis for valuation is set out in the statement of accounting policies. The Council is not aware of any circumstances that will materially change these valuations.

17. Capital Expenditure

The main items of Capital Expenditure during the year were: -

	£000	£000
Council Houses		8,967
General Services: -		
- Land & Access Roads for PPP School	258	
- DDA Compliance (Education Services)	115	
- Schools Fund (Estate Strategy)	1,525	
- Schools Alarm System	183	
- Sports & Leisure	339	
- Menstrie En Suite Conversion	760	
- Traffic Management	117	
- Alloa Town Centre	1,172	
- Collylands Upgrades & Bends	409	
- Bridges, including those connected with Rail Link	521	
- Flood Prevention	76	
- Roads & Footpaths Improvements	343	
- Cycling, Walking & Safer Streets	84	
- Street Lighting	175	
- Stirling/Alloa/Kincardine Rail Link	870	
- 20mph Speed Reduction Road Safety	212	
- Public Transport & Walking	246	
- Contaminated Land	195	
- Parks & Open Spaces	82	
- Gateways & Roundabouts	57	
- Upgrading Toilets	105	
- Alloa Heritage Initiative	51	
- Vehicles	786	
- Kilncraigs 1936 Building Envelop	1,323	
- Kilncraigs 1904 Building Upgrade	559	
- DDA, Asbestos Removal & Other Property Enhancements	66	
- Property Disposals Costs	95	
- Finance & IT Hardware & Software	221	
- Acquisition of Lime Tree House	2,200	
- Various other capital projects	<u>286</u>	
		<u>13,431</u>
Items forming Fixed Assets (see Note 15)		22,398
Deferred Charges		
- Contaminated Land	54	
- Mental Health Services	<u>2</u>	
		56
Total Capital Expenditure		<u>22,454</u>

Future Capital Expenditure

The Council has approved £24.7m in 2007/08 (including carry forward of budgets from previous year of £5.3m) under its capital programme, of which £7.6m has been contracted.

The contracts are as follows: -

	£000
Council Housing:	
- Roofs	184
- Doors	251
- Heating	108
- Thermal Insulation	184
- Kitchens	3,244
- Bathrooms	695
- Re-wiring	438
- Other housing projects	205
School Building Alarm System	311
Schools (using Schools Fund)	999
Menstrie House	590
Bridges	332
Other minor contracts	<u>35</u>
	<u>7,576</u>

Expenditure approved to proceed but not yet contracted is as follows: -

	£000
Council Housing	
- Structural Works	111
- Roofs	242
- Doors	398
- Heating	1,184
- Thermal Insulation	542
- Kitchens	927
- Bathrooms	614
- Disabled Adaptations	451
- Water Supply Pipe Replacement	220
- Other housing projects	435
School Building Alarm System	158
Leisure Bowl & other Leisure facilities	133
Joint FVNHS Adult Care Premises	300
Menstrie House Increased Parking & Security	150
Accident Prevention & Traffic Management	100
Alloa Town Centre	180
A91 East Stirling St. Alva roundabout to access new school site	450
B9140 to Glenochil West	838
Bridges	134
Flood Prevention	124
Road & Footway Improvements	640
Street Lighting	165
20mph Speed Reduction	109
A907/B910 Helensfield Junction for Railway Line	425
Black Devon Landfill Gas Collection & Treatment Project	400
Cemeteries Strategy	187
Waste Recycling Project	400
Wheeled / Litter Bins	100
Clackmannan Tolbooth	113
Old Alloa Townscape Heritage Phase 2	253
Landscape Partnership – conserve Ochils / Hillfoots	1,125
Econ. Dev. Infrastructure: Eastern Clacks Development Opportunities	100
Pavillons Business Park Phase 2	340
Alloa Town Centre Regeneration: Speirs Centre	330
Alloa Town Centre: Public Realm Phase 2	220
Shillinghill to Town Hall: Environmental Regeneration	150
New Alloa Infrastructure	240
Vehicle Replacement Programme	833
Kilncraigs Mill 1936 Building Envelop	246
Kilncraigs Mill 1904 Development	1,152
Greenfield Heating	150
Efficient Government/ Customer First Developments	172
IT Services	377
Other Corporate Development Projects	104
Various Other Projects	<u>1,089</u>
	<u>17,111</u>

18. Deferred Premiums on the early repayment of debt

Loans premium represent penalties incurred on the early redemption of debt. These arise as part of the Council's debt restructuring whereby fixed rate debt is repaid prematurely and replaced with loans at a lower interest rate. An element of the premium is charged to revenue each year over the life of the replacement loans .

	2005/06	2006/07
	£000	£000
Opening Balance	5,533	5,220
Premiums charged to revenue during year	(313)	(313)
Closing Balance	<u>5,220</u>	<u>4,907</u>

19. Long Term Investments

The Council has a range of investments that are fully described in note 20 below. These are summarised as follows: -

	2006	2006	2007	2007
	£000	£000	£000	£000
CSBP Clackmannanshire Investments Ltd (at cost)		666		158
CSBP Clackmannanshire Developments Ltd (at cost)		108		478
Apex Leisure (Management) Ltd (at cost)	200		200	
Less: Written off	<u>(200)</u>	-	<u>(200)</u>	-
		<u>774</u>		<u>636</u>

20. Subsidiaries and Associated Companies

The Council holds shares in various trading companies, either as controlling or minority shareholder.

The Council is also represented on the Boards of various companies that are limited by guarantee and have no share capital. It participates in these companies by means of Board membership and the provision of funding and management support.

Subsidiary Companies:

Apex Leisure (Management) Limited

The principal activity of the company is the management of Alloa Leisure Bowl, and is owned 98% by the Council.

For the year ended 31 March 2007 the company had net profits and net liabilities of £81,000 and £39,000 respectively. These figures have been incorporated in the Group Accounts.

The Council's liability is limited to its shareholding of £196,000.

Joint Ventures:

CSBP Clackmannanshire Investments Limited

This joint venture was formed in November 2003. The principal activity of the company is property development. The Council holds a 50% share in the joint venture company along with Scarborough Development Group.

For the year ended 31 March 2007 the company had net profits and net assets of £265,000 and £603,000 respectively. The Council's share of these figures have been incorporated in the Group Accounts.

CSBP Clackmannanshire Developments Limited

This joint venture was formed in November 2003. The principal activity of the company is the development and refurbishment of commercial and industrial property. The Council holds a 50% share in the joint venture company along with Scarborough Development Group.

For the year ended 31 March 2007 the company had net profits and net assets of £50,000 and £161,000 respectively. The Council's share of these figures have been incorporated in the Group Accounts.

Associated Companies:

Clackmannanshire Heritage Trust

This is a registered company limited by guarantee with charitable status. The purpose of the company is to enhance the historic buildings of Clackmannanshire, improve its landscaping and encourage sustainable use of its environment. The Council has five out of the thirteen trustees represented on its Board but it is not controlled by the Council.

Joint Boards:

Central Scotland Joint Police Board

This Board is the statutory corporate body established in 1975 to provide a vast range of policing services on behalf of the three local authorities comprising Falkirk, Stirling and Clackmannanshire Councils.

During 2006/07 the Council contributed £3.926m or 15.8% of the Boards estimated running costs. The Boards net liabilities at 31 March 2007 were £311.845m and the Councils share has been incorporated in the Group Accounts.

Central Scotland Joint Fire and Rescue Board

This Board is the statutory body established in 1975 to provide fire and emergency cover on behalf of the three local authorities comprising Falkirk, Stirling and Clackmannanshire Councils.

During 2006/07 the Council contributed £2.759m or 17.8% of the Boards estimated running costs. The Boards net liabilities at 31 March 2007 were £86.549m and the Councils share has been incorporated in the Group Accounts.

Central Scotland Valuation Joint Board

This Board is an independent body formed in 1996 to compile the Valuation Roll, Valuation List and Electoral Register on behalf of the three local authorities comprising Falkirk, Stirling and Clackmannanshire Councils.

During 2006/07 the Council contributed £379k or 15.4% of the Boards estimated running costs. The Boards net liabilities at 31 March 2007 were £2.117m and the Councils share has been incorporated in the Group Accounts

Group Accounts

The following entities have a significant impact on the Council's operations and have been consolidated into the Group Accounts:

Apex Leisure (Management) Limited
CSBP Clackmannanshire Investments Limited
CSBP Clackmannanshire Developments Limited
Central Scotland Joint Police Board
Central Scotland Joint Fire and Rescue Board
Central Scotland Valuation Joint Board

21. Long Term Debtors

	2006	2007
	£000	£000
Loans to Employees	4	4
Loans to Subsidiary Companies: - Apex Leisure (Management) Limited	43	24
Business Development Loans	70	60
Other Loans: - Alloa Bowling Club	<u>4</u>	<u>3</u>
	121	91
Less Provision for bad debts (Business Development)	<u>53</u>	<u>53</u>
	<u>68</u>	<u>38</u>

22. Stocks and Work in Progress

	2006 £000	2007 £000
Stock		
Building Works	164	143
Roads - Salt	26	26
Roads - Lighting	21	17
Roads - Contracts	15	16
Waste Services - Client	5	6
Waste Services - Contract	1	1
Vehicle Maintenance	49	50
Library Book Shop	43	27
Social Services	92	108
Catering	32	50
Cleaning	11	8
Corporate Gifts	4	3
Leisure Services	<u>0</u>	<u>4</u>
	463	459
Work in Progress		
Building Works	<u>12</u>	<u>75</u>
Total	<u>475</u>	<u>534</u>

23. Debtors and Prepayments (Amounts falling due within one year)

	£000	2006 £000	£000	2007 £000
Debtors				
Government Departments		1,808		2,588
Government and Other Grants		2,460		962
Community Charge	412		410	
Less Provision for bad debts	<u>406</u>		<u>406</u>	
		6		4
Council Tax	8,025		8,677	
Less Provision for bad debts	<u>4,978</u>		<u>5,507</u>	
		3,047		3,170
Housing Rents etc.	1,155		1,306	
Less Provision for bad debts	<u>623</u>		<u>653</u>	
		532		653
Non Domestic Rates	2,233		2,404	
Less Provision for bad debts and appeals	<u>1,905</u>		<u>2,025</u>	
		328		379
Sundry Debtors	9,982		2,248	
Less Provision for bad debts	<u>1,313</u>		<u>1,228</u>	
		8,669		1,020
Salaries and Wages		68		65
Capital Payments		1,004		4,487
Loans Fund Interest		<u>2</u>		<u>1</u>
Total Current Debtors		17,924		13,329
Prepayments				
Operational Leases	357		270	
Other	<u>42</u>		<u>43</u>	
Total Debtors and Prepayments		<u>18,323</u>		<u>13,642</u>

24. Borrowing

The Council's debt at 31 March 2007 may be analysed as follows:

Source of Loan	Interest Rates payable (%)	Total Outstanding at 31 March	
		2006 £000	2007 £000
(a) Repayable within 12 months			
Public Works Loan Board	4.05% - 9.25%	98	74
Loan Authority Bonds	4.30% - 4.95%	43	94
Revenue Advances: -			
- Common Good & Trust Funds		416	482
- Central Scotland Valuation Joint Board		768	340
- East of Scotland European Consortium		0	17
		<u>1,325</u>	<u>1,007</u>
(b) Repayable after 12 months			
Public Works Loan Board	4.25% - 9.25%	71,746	75,704
Market Loans	3.4% - 4.15%	18,500	18,500
Local Authority Bonds	4.30% - 4.95%	94	0
		<u>90,340</u>	<u>94,204</u>
(c) Analysis of Long Term Loans by Maturity			
Between 1 - 2 year		2,168	0
Between 2 - 5 years		2	2
Between 5 - 10 years		2,312	4
More than 10 years		<u>85,858</u>	<u>94,198</u>
		<u>90,340</u>	<u>94,204</u>

25. Creditors (Amounts falling due within one year)

	2006 £000	2007 £000
Salaries and Wages	1,852	1,837
Housing Rent Prepayments	95	37
Rates	210	200
Revenues	89	81
Government Grants	3,008	2,388
Borrowing Expenses	1,509	1,307
Capital Payments	4,229	201
Sundry Creditors	<u>11,758</u>	<u>13,222</u>
	<u>22,750</u>	<u>19,273</u>

26. Provisions

Early Retirement

In accordance with Financial Reporting Standard 12, where individual posts have been identified and agreed for voluntary redundancy, but not actually paid before 31st March, a provision is made.

Equal Pay

The Council has received a number of claims of historic pay from specific groups of staff. A considerable number of settlements were made during 2006/07, but the provision has been amended to reflect those claims still outstanding together with an allowance for a further full years payments to cover the estimated cost to the Council to date.

	Early Retirement 2007 £000	Equal Pay 2007 £000	Total 2007 £000
Balance as at 1 April 2006	440	1,435	1,875
Paid during the year	(440)	(944)	(1,384)
Arising during year	80	437	518
Balance at 31 March	<u>80</u>	<u>928</u>	<u>1,008</u>

27. Deferred Liabilities

These sums relate to contributions received from developers to be utilised at future dates for infrastructure etc within both private housing schemes and town centre redevelopment, together with share of inherited loan from the European Investment Bank

	2006	2007
	£000	£000
Developer contributions	650	589
European Investment Bank	<u>314</u>	<u>280</u>
	<u>964</u>	<u>869</u>

28. Government Grants Deferred

This sum relates to government grants and contributions received towards the financing of capital expenditure on fixed assets. The balance represents a deferred credit which is released to revenue to set off the depreciation charged on the assets. Movements on this balance are detailed below

	2006	2007
	£000	£000
Balance as at 1 April	425	409
Grants released during year	(16)	(16)
Grants received during the year	-	<u>3,210</u>
Balance at 31 March	<u>409</u>	<u>3,603</u>

29. Devolved Management Responsibility (D.M.R)

Under the terms of the Scheme of Devolved Management to Schools and Services within Education, a number of establishments achieved savings that are available for carry forward at the year-end. No individual school or services can carry forward more than 2% of its devolved budget and no significant balances are contained within the overall sum. The amounts detailed below are included in the Council's General Fund reserve.

	2006	2007
	£000	£000
Balance as at 1 April	862	1,016
Allocated to Schools during year	(614)	(572)
Contributions added to fund during the year	<u>768</u>	<u>799</u>
Balance at 31 March	<u>1,016</u>	<u>1,243</u>

30. Analysis of Net Assets Employed

The net book value of assets employed as at 31st March can be broken down as follows: -

	2006	2007
	£000	£000
General Fund	28,896	29,283
Housing Revenue Account	123,463	120,944
Trading Operations	<u>(4,558)</u>	<u>(4,311)</u>
Total	<u>147,801</u>	<u>145,916</u>

31. Contingent Liabilities

Equal Pay

The Council has received claims of historic pay inequality from specific groups of staff, particularly in catering, cleaning and homecare. Note 26 includes details of the provision in respect of employees identified so far. It remains a possibility that the Council may become liable for further claims in the future, but at this time there is uncertainty both surrounding the likely timescale involved and the potential level of settlement.

Single Status

The Council continues to work towards implementation of the single status agreement for its employees. There is still no agreement concluded and the sum required to provide for implementation cannot be estimated at present. The effective implementation date is now April 2008. The Statement on Movements on General Fund Balance shows that £400k has been earmarked from reserves as at 31st March 2007. A further £800k has been budgeted to be set aside during financial year 2007/08.

32. Insurance Fund

The insurance fund covers the main classes of insurance; property, public liability, employer's liability and motor. Funds are earmarked for insurance purposes and are not available for general Council use. The purpose of the Insurance Fund is to provide an element of self-insurance and protect the Council against unforeseen losses. The alternative is to incur higher insurance premiums, but to assume less risk by not self insuring such losses.

It is the Council's opinion that the Insurance Fund is not yet at a sufficient level to allow a greater degree of self-insurance. Accordingly insurance has been purchased, providing "bottom up" cover, with a ceiling on the maximum policy excess on the general liability and property policies of £180,000 and £250,000 respectively. The total cost of insurance, ie premium plus excess, are charged to the Fund and offset by contributions from services which are reflected in total revenue expenditure.

In 2006/07 a net deficit was generated by claims on the policy excesses being below this ceiling of £89,000 (2005/06 - £70,000 surplus).

	2005/06 £000	2006/07 £000
Opening Balance	460	551
Net Surplus/(deficit) (as above)	70	(89)
Interest Received etc	21	27
Closing Balance	<u>551</u>	<u>489</u>

33. Euro Costs

Clackmannanshire Council has incurred minimal expenditure in preparation for the Single European Currency, and no expenditure commitments have been made to date. With the continued uncertainty over membership of the single currency, it cannot be established with any certainty the total costs likely to be incurred or the timescale over which these costs will be incurred. However, it is recognised that if a decision is taken to join the Euro, significant costs will be incurred in preparation and implementation.

34. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

<u>Reserve</u>	<u>Balance 1 April 2006 £000</u>	<u>Net Movement in Year £000</u>	<u>Balance 31 March 2007 £000</u>	<u>Purpose of Reserve</u>	<u>Further Detail of Movements</u>
Fixed Asset Restatement Account	143,556	(4,671)	138,885	Store of gains on revaluation of fixed assets	(a) below
Capital Financing Account	46,370	(11,267)	35,103	Store of capital resources set aside to meet past expenditure	(b) below
Capital Receipts Reserve	0	3,248	3,248	Proceeds of fixed asset sales available to meet future capital investment	(c) below
Pensions Reserve	(52,627)	10,643	(41,984)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 4 to the Core Financial Statements and (d) below
General Fund	3,881	(123)	3,758	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance
Housing Revenue Account	6,070	347	6,417	Resources available to meet future running costs for council housing	HRA Statements
Insurance Fund	551	(62)	489	Resources to provide an element of self- insurance	Note 32 to the Core Financial Statements
Total	147,801	(1,885)	145,916		

(a) Fixed Asset Restatement Account

This account reflects the difference between the book value of assets and the revalued amount. Adjustments to valuations, assets written out on disposal, and expenditure not increasing the value of an asset are recorded here.

The movement in this reserve can be attributed to the following items:

	£000
Capital expenditure during the year	(22,227)
Revaluations	162
Expenditure treated as fixed assets	19,344
Disposal of fixed assets (book value)	(2,024)
Depreciation written-off on disposals	<u>74</u>
	<u>(4,671)</u>

(b) Capital Financing Account

Appropriations to and from the Capital Financing Account are required for the differences between loans fund principal charges and the amount of depreciation provided in the accounts. Credits relate to capital receipts and the release of income from the Government Grants Deferred Account

The movement in this reserve can be attributed to the following items:

	£000
Capital receipts during the year	5,187
Deferred Government Grant release	16
excess depreciation over debt repayments	<u>(16,470)</u>
	<u>(11,267)</u>

(c) Capital Receipts Reserve

This reserve has been established this year to set aside specific capital receipts from asset sales for use in connection with the funding of the Secondary Schools PPP project in 2008/09. Two land sales totalling £3.248m have been allocated here during 2006/07.

(d) Pensions Reserve

The movement in this reserve can be summarised as follows:

	£000
Appropriations (to)/ from revenue	(1,060)
Actuarial gains and losses relating to pensions	<u>11,703</u>
	<u>10,643</u>

35. Notes Relating to the Cash Flow Statement

Reconciliation of net deficit on the Income and Expenditure Account with Revenue Activities Total

2005/06 £000		2006/07 £000	2006/07 £000
12,566	Net deficit per Income and Expenditure Account		10,721
	Increase Surplus for Items Accounted for elsewhere within Cash Flow Statement		
(6,259)	- Interest Repayments included in Servicing of Finance	(7,004)	
(313)	- Amortisation of Premiums	(313)	
1,339	- Interest on Revenue Balances included in Servicing of Finance	2,165	
-	- Movements in Investments in Joint Ventures	<u>138</u>	
<u>(5,233)</u>			<u>(5,014)</u>
7,333	Adjust Surplus for Internal Items not involving the movement of cash		5,707
	Transfers (to)/from funds/provisions		
(1,435)	- Equal pay provision	510	
<u>(308)</u>	- Restructuring Provision	<u>357</u>	<u>867</u>
5,590	Adjust for Movements in Working Capital		6,574
(81)	- Increase (decrease) in Stocks and Work in Progress	(79)	
1,983	- Increase (decrease) in Debtors	(8,163)	
<u>(3,717)</u>	- (Increase) decrease in Creditors	<u>(579)</u>	
<u>(1,815)</u>			<u>(8,821)</u>
3,775			<u>(2,247)</u>
(15,023)	Adjust for Movements per Statement on the General Fund Balance (amounts included in I & E but required by statute to be excluded)		(14,081)
<u>(11,248)</u>	Revenue Activities Net Cash (Inflow)		<u>(16,328)</u>

Movements in Cash

		1.4.06 £000	31.3.07 £000	(Increase) Decrease £000
1,766	Cash in Hand and at Bank	2,407	227	2,180

Government Grant

			2006/07 £000
49,968	Revenue Support Grant		52,059
11,103	DSS Grants for Benefits		11,612
	Other Government Grants:		
229	- European grants	93	
-	- Communities Scotland (Regeneration Outcome Agreement)	191	
72	- Workforce Development	74	
609	- National Priorities Action Fund	2,227	
-	- Probationers	356	
-	- Hungry for Success	51	
-	- Area Management Boards	161	
-	- Additional Financial Resources	457	
-	- Determined to Succeed	195	
226	- Education Maintenance Allowance	230	
-	- Future Learning & Teaching	58	
-	- NEET funding	133	
-	- CALL funding	55	
104	- Active Schools	122	
109	- NOF Sport	418	
661	- Changing Children's Services Fund	509	
3,149	- Supporting People	3,252	
-	- Housing Condition Survey	382	
543	- Care & Repair	58	
418	- Homelessness Strategy	658	
-	- Specific Training	64	
-	- Fostering Placements	198	
782	- Criminal Justice	836	
111	- Mental Illness	91	
59	- Rural Transport	59	
310	- Strategic Waste Fund	284	
-	- Noise Nuisance	80	
810	- Community Regeneration Fund	806	
138	- Benefits Administration Grant	371	
-	- SAFE funding	185	
<u>1,689</u>	- Various other grants	<u>1,372</u>	
<u>10,019</u>			<u>14,026</u>
<u>71,090</u>			<u>77,697</u>

CLACKMANNANSHIRE COUNCIL

STATEMENT OF MOVEMENT ON THE HRA BALANCE
For the year ended 31 March 2007

<u>2005/06</u> <u>£000</u>		<u>2006/07</u> <u>£000</u>
4,272	Deficit for the year on the HRA Income and Expenditure Account	2,536
(5103)	Net additional amount required by statute to be (credited) to the HRA Balance for the year	(2,883)
<u>(831)</u>	(Increase) in the Housing Revenue Account Balance	<u>(347)</u>
(5,239)	Housing Revenue Account surplus brought forward	(6,070)
<u>(6,070)</u>	Housing Revenue Account surplus carried forward	<u>(6,417)</u>

CLACKMANNANSHIRE COUNCIL

Note to the Statement of Movement on the HRA Balance

2005/06 £000		2006/07 £000	2006/07 £000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
(6,984)	Depreciation and impairment of fixed assets	(6,886)	
1,123	Gain or loss on sale of fixed assets	3,221	
<u>(113)</u>	Net charges made for retirement benefits in accordance with FRS 17	<u>(139)</u>	
(5,974)			(3,804)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
871	Loans fund principal		921
<u>(5,103)</u>	Net additional amount required to be credited to the General Fund balance for the year		<u>(2,883)</u>

CLACKMANNANSHIRE COUNCIL

NOTES TO HOUSING REVENUE ACCOUNT

1. Bad Debts

In 2006/07 the provision for bad debt in respect of rent has been increased to £652,635 (2005/06 £622,459)

2. Rent Arrears

Rent arrears increased during the year by £75,031, to a total of £911,567. As a percentage of gross rental income the arrears represent 7.4% (2005/06 – 7.0%), which is equivalent to £177 (2005/06 - £157) per house.

3. Housing Stock

The stock of houses at 31 March 2007 was 5,148 (31 March 2006 - 5,336). The types of apartments are detailed in the following categories:

	Number	Previous Year
One apartment	40	47
Two apartments	1,314	1,330
Three apartments	2,338	2,439
Four apartments	1,315	1,370
Five apartments	139	148
Six apartments	<u>2</u>	<u>2</u>
	<u>5,148</u>	<u>5,336</u>

CLACKMANNANSHIRE COUNCIL

COUNCIL TAX INCOME ACCOUNT
For the year ended 31 March 2007

2005/06 £000		2006/07 £000	2006/07 £000
(21,299)	Total Charges Levied		(23,339)
	Deduct:-		
144	Exemptions		688
2,049	Discounts		2,210
	Council Tax Rebates	3,463	
(99)	Less: Government Grant	<u>(3,516)</u>	(53)
36	Relief (Persons with a Disability)		29
548	Provision for bad and doubtful debts		528
(3)	Other Adjustments		(3)
(18,624)	Income from Council Tax		(19,940)
	Add:-		
(6)	Community Charge Arrears Recovered		(2)
(18,630)	Net Local Council Tax Income transferred to General Fund		(19,942)

CLACKMANNANSHIRE COUNCIL

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. CALCULATION OF THE COUNCIL TAX CHARGE BASE 2006/07

	Valuation Band									Total
	(Disabled relief)	A	A	B	C	D	E	F	G	
Total number of dwellings	0	6,466	7,153	1,796	2,332	3,040	1,482	678	41	22,988
Less exempt dwellings	0	(275)	(164)	(42)	(25)	(35)	(16)	(10)	(5)	(572)
Disabled reduction	23	19	(23)	4	19	(31)	(7)	(4)	0	0
Less adjustment for single discounts	(3)	(840)	(700)	(174)	(150)	(134)	(42)	(19)	(0)	(2,062)
Less adjustment for double discounts	0	(87)	(50)	(20)	(14)	(13)	(12)	(4)	0	(200)
Effective number of dwellings	20	5,283	6,216	1,564	2,162	2,827	1,405	641	36	20,154
Band D equivalent factor (ratio)	(5/9)	(6/9)	(7/9)	(8/9)	(9/9)	(11/9)	(13/9)	(15/9)	(18/9)	
Band D equivalent Number of dwellings	11	3,522	4,835	1,390	2,162	3,455	2,029	1,068	72	18,544
Less provision for non-collection 3.0%										558
COUNCIL TAX BASE 2006/07 (equivalent to a Council Tax of £1,127)										17,986

The product of the council tax base and the equivalent council tax charge give a budget for current year council tax income of £20.270m.

2. COUNCIL TAX PROPERTIES AND COUNCIL TAX CHARGES

Valuation Band	Property Valuation Range	Effective Number of Dwellings	Total Council Tax Charge
A (Disabled Relief)		20	£ 626.11
A	£0 - £27,000	5,283	751.33
B	£27,001 - £35,000	6,216	876.55
C	£35,001 - £45,000	1,564	1,001.78
D	£45,001 - £58,000	2,162	1,127.00
E	£58,001 - £80,000	2,827	1,377.44
F	£80,001 - £106,000	1,405	1,627.89
G	£106,001 - £212,000	641	1,878.33
H	Over £212,000	36	2,254.00
		<u>20,154</u>	

CLACKMANNANSHIRE COUNCIL

NON-DOMESTIC RATE INCOME ACCOUNT For the year ended 31 March 2007

2005/06 £000		2006/07 £000	2006/07 £000
(13,854)	Gross Rates Levy		(14,164)
155	Transitional Adjustment		137
(90)	Large property Supplement		(85)
(13,789)	Rates Levied and Contributions in lieu		(14,112)
	Deduct: Reliefs, Remissions, etc.		
<u>355</u>	Rating (Disabled Persons) Relief		<u>333</u>
	Other Reliefs:-		
246	- Small Business Relief	243	
462	- Mandatory Relief	479	
72	- Discretionary Relief	76	
71	- Sports Club Relief	85	
1	- Rural Relief	1	
<u>852</u>			<u>884</u>
<u>670</u>	Voids and Empty Periods		<u>626</u>
<u>178</u>	Provision Against Doubtful Debts		<u>120</u>
(11,734)	Total for current year		(12,149)
<u>6</u>	Previous Years Charge Decrease (Increase)		<u>(61)</u>
<u>65</u>	Adjustments for Reliefs, Remissions etc		<u>62</u>
<u>1</u>	Payment of Interest		<u>1</u>
<u>72</u>	Provision Against Doubtful Debts		<u>0</u>
144	Total for previous years		2
(11,590)	Net Non-Domestic Rate Income		(12,147)
(19)	add back :- 25% Discretionary Reliefs not offset for Pool Contribution		(19)
(11,609)	Income for Contribution to Non-Domestic Rate Pool		(12,166)
11,609	Contribution to National Non-Domestic Rate Pool	12,166	
(17,824)	Distribution from National Non-Domestic Rate Pool	(17,876)	
(6,215)	Gain from National Pool		(5,710)
(17,824)	Net Non-Domestic Rate Income transferred to General Fund		(17,876)

CLACKMANNANSHIRE COUNCIL

NOTES TO THE NON-DOMESTIC RATE ACCOUNT

1. RATE POUNDAGES LEVIED

	2005/06 p	2006/07 p
National Non-Domestic Rate	46.1	44.9
small business relief supplement – properties valued > £29,000	0.45	0.40

2. CLACKMANNANSHIRE RATEABLE VALUES

	as at 1 April 2005 £000	as at 1 April 2006 £000
Commercial	11,208	12,279
Industrial	12,319	12,570
Miscellaneous	<u>6,848</u>	<u>6,313</u>
Total	<u>30,375</u>	<u>31,162</u>

3. NUMBER OF PREMISES

	as at 1 April 2005	as at 1 April 2006
Commercial	818	882
Industrial	280	280
Miscellaneous	<u>359</u>	<u>329</u>
Total	<u>1,457</u>	<u>1,491</u>

CLACKMANNANSHIRE COUNCIL
COMMON GOOD AND CHARITABLE TRUSTS
For the year ended 31 March 2007

The Council acts as sole trustee for 8 charitable trusts and endowments. In addition the Council administers the Common Good Account for towns within the county. The figures below summarise the aggregate income and expenditure for the year as well as providing a snapshot of the assets and liabilities at 31 March 2007.

2005/06	INCOME AND EXPENDITURE ACCOUNT	2006/07
£000		£000
	Expenditure	
<u>3</u>	Beneficiaries	<u>3</u>
<u>3</u>	Total Expenditure	<u>3</u>
	Income	
2	Rent	0
<u>11</u>	Interest	<u>12</u>
<u>13</u>	Total Income	<u>12</u>
<u>10</u>	Surplus	<u>9</u>

Note	Principal Funds at 31st March	
2006		2007
£000		£000
30	Common Good	30
32	Clackmannan District Charitable Trust	31
149	Alloa Day Home Trust	156
31	Clackmannanshire Educational Trust	31
8	William M Duncanson Legacy	9
10	J Thomas Patons Endowment Fund	11
2	Robert Jeffrey's Legacy	2
1	Mrs Elizabeth McNair's Legacy	1
<u>11</u>	War Memorial Trust Fund	<u>12</u>
<u>274</u>		<u>283</u>

The balance on these funds at 31st March was invested as follows:-

2006		2007
£000		£000
84	External Investments	48
<u>190</u>	Internal Investments	<u>235</u>
<u>274</u>		<u>283</u>

CLACKMANNANSHIRE COUNCIL
GROUP INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2007

2005/06 <u>Net</u> <u>Expend</u> <u>£000</u>	<u>Services</u>	2006/07 <u>Gross</u> <u>Expenditure</u> <u>£000</u>	2006/07 <u>Gross</u> <u>Income</u> <u>£000</u>	2006/07 <u>Net</u> <u>Expenditure</u> <u>£000</u>
681	Central Services to the public	1,696	(976)	720
16,418	Cultural, environmental and planning services	21,565	(7,515)	14,050
41,783	Education services	58,816	(9,138)	49,678
3,797	Highways, roads and transport services	48,174	(44,561)	3,613
3,831	Local authority housing (HRA)	16,136	(12,230)	3,906
1,185	Other housing services	18,250	(17,568)	682
18,954	Social work	30,037	(9,518)	20,519
1,599	Corporate and democratic core	2,126	(90)	2,036
1,047	Non distributed costs	842	(1,570)	(728)
89,295	Net Cost of Council Provided Services	197,642	(103,166)	94,476
	Requisitions from Joint Boards:			
3,770	- Police	3,926		3,926
2,700	- Fire	2,759		2,759
343	- Valuation	379		379
6,813		7,064		7,064
96,108	Net Cost of General Services	204,706	(103,166)	101,540
917	Share of Operating Results of Associates	14,282	(12,492)	1,790
(554)	Share of Operating Results of Joint Ventures:			
260	- Turnover		(1,323)	(1,323)
	- Other Operating Income & Expenditure	1,073		1,073
96,731	Net Cost of Services	220,061	(116,981)	103,080
(3,145)	Profit on the disposal of fixed assets			(6,567)
(274)	Surpluses on Trading Operations not included in Net Cost of Services			(50)
6,220	Interest payable			7,100
344	Share of Interest Payable of Associates & Joint Ventures			245
(1,340)	Interest and Investment Income			(2,166)
(42)	Share of Interest Receivable of Associates & Joint Ventures			(49)
740	Pension interest cost and expected return on pension assets			223
3,194	Share of Pension interest cost and expected return on pension assets of Associates			3,437
<u>57</u>	Taxation of Group Entities			<u>67</u>
102,485	Net Expenditure			105,320
	Financed By:			
(49,557)	Revenue Support Grant			(51,623)
(17,824)	Non Domestic Rates – Distribution from National Pool			(17,876)
<u>(18,630)</u>	Council Tax and Community Charge			<u>(19,942)</u>
(86,011)				(89,441)
16,474	Deficit for the year			15,879

CLACKMANNANSHIRE COUNCIL

RECONCILIATION OF THE SINGLE ENTITY DEFICIT FOR THE YEAR TO THE GROUP DEFICIT

2005/06 £000		2006/07 £000
12,566	Deficit on the authority's single entity Income and Expenditure Account for the year	10,721
	Add: surplus or deficit arising from the other entities included in the group accounts attributable to:	
26	Subsidiaries	(81)
4,019	Associates	5,396
<u>(137)</u>	Joint Ventures	<u>(157)</u>
16,474	Group Account deficit for the year	15,879

CLACKMANNANSHIRE COUNCIL

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 March 2007

This statement brings together all the gains and losses of the Group for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Group Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2005/06		2006/07
£000		£000
16,474	Deficit for the year on the Income and Expenditure Account	15,879
(105,684)	(Surplus) deficit arising on revaluation of fixed assets	3,780
27,007	Actuarial (gains)/losses on pension fund assets and liabilities	(32,868)
<u>(91)</u>	(Gains)/losses on Insurance Fund	<u>62</u>
<u>(62,294)</u>	Total recognised gains for the year	<u>(13,147)</u>

CLACKMANNANSHIRE COUNCIL
GROUP BALANCE SHEET
For the year ended 31 March 2007

31 March 2006		31 March 2007	31 March 2007	31 March 2007
£000		£000	£000	£000
409	Intangible Assets			493
	Tangible Fixed Assets			
	<i>Operational Assets:</i>			
143,545	council dwellings			142,174
101,175	other land and buildings			94,605
3,309	vehicles, plant, furniture and equipment			4,184
12,824	infrastructure assets			16,161
	<i>Non-Operational Assets:</i>			
15,939	investment properties			15,827
513	assets under construction			2,570
277,714	Total intangible and fixed assets			276,014
5,220	Loans Premium Account			4,907
774	Long-term investments			636
5,373	Investments in associates			5,227
1,638	Investments in Joint Ventures – Gross Assets		1,524	
(1,424)	- Gross Liabilities		<u>(1,143)</u>	381
78	Long-term debtors		67	
(53)	less provision for bad debts		<u>(53)</u>	
289,320	Total long-term assets			287,179
	Current assets			
484	Stocks and work in progress		544	
27,547	Debtors	22,903		
(9,225)	less provision for bad debts	<u>(9,225)</u>		
13,119	Investments		13,678	
2,447	Cash and bank		11,874	
323,692	Total assets		332	26,428
	Current Liabilities			
(1,325)	Borrowing repayable on demand or within 12 months		(1,181)	
(22,884)	Creditors		(19,273)	
(1,875)	Provisions		(1,008)	
297,608	Total assets less current liabilities			(21,462)
	Long-term liabilities			
(90,340)	Borrowing repayable within a period in excess of 12 months		(94,204)	
(409)	Government grants deferred		(3,603)	
(964)	Deferred liabilities		(869)	
205,895	Total assets less liabilities excluding pension liability			(98,676)
(123,783)	Liability related to defined benefit pension scheme			(112,215)
82,112	Total assets less liabilities			81,254
	Financed by:			
147,005	Fixed asset restatement account			142,339
47,335	Capital financing account			36,128
198	Usable capital receipts			3,433
(123,783)	Pensions reserve			(112,215)
551	Earmarked reserve – Insurance fund			489
3,881	General fund balance			3,758
6,070	Housing Revenue Account			6,417
855	Profit and Loss reserve			905
82,112	Group Balances and Reserves			81,254

CLACKMANNANSHIRE COUNCIL

GROUP CASH FLOW STATEMENT For the year ended 31 March 2007

2005/06 £000		2006/07 £000	2006/07 £000	
(10,744)	Net Cash (Inflow) from Revenue Activities		(16,409)	(9,350)
-	Dividends from Joint Ventures and Associates		-	
	Returns on Investments and Servicing of Finance			
5,370	- Interest Paid	5,874		
(609)	- Interest Received	(781)	5,093	
-	Taxation		3	
	Capital Expenditure and Financial Investment			
221	- Purchase of fixed assets	3,373		
-	- Purchase of long-term investments	-		
10,049	- Other capital cash payments	26,722		
(3,720)	- Sale of fixed assets	(5,187)		
(2,020)	- Capital grants received	(3,248)		
(15)	- Other capital cash receipts	0	21,660	
-	Equity Dividends Paid		-	
-	Acquisitions and Disposals		-	
-	- Investments in associates and joint ventures		412	
-	- Sales of investments in associates and joint ventures		(550)	
(1,468)	NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING		10,209	
	Management of Liquid Resources			
12,303	- Net increase/(decrease) in short- term deposits		(1,245)	
	Financing			
(11)	- Repayments of amounts borrowed	32,280		
-	- Capital element of finance lease payments	-		
(8,860)	- New loans raised	(39,129)	(6,849)	
1,964	NET (INCREASE)/DECREASE IN CASH		2,115	

CLACKMANNANSHIRE COUNCIL

NOTES TO THE GROUP ACCOUNTS

Bases of Consolidation

The Council has an interest in a number of Subsidiary and Associate Companies along with Joint Ventures. Full details of these interests have already been detailed within Note 20 of the Notes to the Core Financial Statements of the single entity Accounts. For the purposes of consolidation and incorporation within the Group Accounts recognition has been made of the Council's controlling interest in the two subsidiary companies and its minority interests in the three associate organisations and two joint venture companies.

The Companies which have been consolidated and percentage of total shareholdings are:

Apex Leisure (Management) Limited – 100%

The Associates which have been incorporated and shares of total requisitions are:

Central Scotland Police Joint Board – 15.8%

Central Scotland Fire and Rescue Joint Board – 17.8%

Central Scotland Valuation Joint Board – 15.4%

The Joint Ventures which have been incorporated and percentage of total shareholdings are:

CSBP Clackmannanshire Investments Limited – 50%

CSBP Clackmannanshire Developments Limited – 50%

The accounting period for these entities is the 31st March 2007, with the only exception being in respect of Apex Leisure (Management) Limited which reported to 30th September 2006. In this instance, interim statements have been prepared by the company to 31st March 2007 to achieve alignment with the Council's year end.

The individual accounts relating to these entities are published separately, and are available from the Head of Finance, Greenfield, Alloa, FK10 2AD.

The Council inherited its interest in Apex Leisure (Management) Limited following the reorganisation of local government in 1996. It is considered that the acquisition was based on the acquisition method. However, as no consideration was given for this interest there is no goodwill involved in this instance.

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 is no requirement to account for goodwill.

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

Accounting Policies

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies:

Associates

The following disclosures are required under Financial Reporting Standards because the Council share of the net liabilities of the Joint Boards exceed 15%. The aggregate share of these entities are noted below.

		Police	Fire	Valuation	Total
	2005/06				2006/07
	£000	£000	£000	£000	£000
Turnover	12,169	9,040	3,072	380	12,492
Fixed Assets	8,762	5,673	2,990	26	8,689
Current Assets	1,659	723	622	89	1,434
Liabilities due within one year	(889)	(563)	(166)	(64)	(793)
Liabilities due after one year or more	(73,768)	(55,104)	(18,851)	(352)	(74,307)

Joint Ventures

The following disclosures are required under Financial Reporting Standards because the Council share of the two Joint Venture companies exceed 25%. The share of each of these entities are noted below.

CSBP Clackmannanshire Investment Company

	2005/06	2006/07
	£000	£000
Turnover	554	1,273
Profit before tax	200	192
Taxation	56	60
Fixed Assets	0	0
Current Assets	1,471	607
Liabilities due within one year	(1,312)	(305)
Liabilities due after one year or more	0	0

CSBP Clackmannanshire Development Company

	2005/06	2006/07
	£000	£000
Turnover	0	50
Profit / (loss) before tax	(6)	27
Taxation	1	4
Fixed Assets	0	0
Current Assets	167	917
Liabilities due within one year	(112)	(837)
Liabilities due after one year or more	0	0

Financial Impact of Consolidation

The effect of inclusion of the Subsidiary, Associate and Joint Venture entities on the Group Balance Sheet is to reduce both Reserves and net assets by £64.662m . The main reason for this reduction is due to the inclusion of pension fund deficits attributable to the Police and Firefighters pension schemes.

Pension Assets and Liabilities

The underlying assets and liabilities for retirement benefits as at 31st March 2007 attributable to the Council and its share of associates are as follows

	Clackmannanshire Council £000s	Police Joint Board £000s	Fire Joint Board £000s	Valuation Joint Board £000s
Estimated liabilities in Local Government Pension Scheme	(165,700)	(3,828)	(980)	(1,796)
Estimated liabilities in Police Pension Scheme		(51,808)		
Estimated liabilities in Firefighters Pension Scheme			(17,195)	
Estimated liabilities arising from unfunded discretionary benefits	(13,731)	(36)		(39)
Estimated assets in Local Government Pension Scheme	137,447	3,196	772	1,483
Net asset/(liability)	(41,984)	(52,476)	(17,403)	(352)

Group Cash Flow Statement

The impact of the incorporation of the subsidiary company within the Group Cash Flow Statement is to decrease the negative movement in the net cash position by £65k.

The overall net deficit for the year of £15.879m can be reconciled to the operating activities net cash inflow of £16.409m as follows:

	£000	£000
Deficit for the Year per Group Income and Expenditure Account		15,879
Items on an Accruals Basis		
Decrease in Stocks	(66)	
Increase in Debtors	(8,199)	
Increase in Creditors	<u>(515)</u>	(8,780)
Non Cash Transactions		
Adjustments not involving movement of funds	(18,922)	
Contributions to Capital	(5,453)	
Contributions to Provisions	<u>867</u>	(23,508)
Net Cash inflow from Revenue Operations		(16,409)

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

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

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

Respective responsibilities of the Council, Head of Finance and auditor

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

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

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

We review whether the Statement on the System of Internal Financial Control reflects the Council's compliance with the 2006 SORP. We report if, in our opinion, it does not comply with the 2006 SORP or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Statement covers all risk and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In our opinion

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

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27 September 2007