



CLACKMANNANSHIRE
COUNCIL

STATEMENT OF ACCOUNTS

2008/09

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CLACKMANNANSHIRE COUNCIL

EXPLANATORY FOREWORD 2008/09

BY THE HEAD OF FINANCE

Introduction

The financial statements represent the financial position of Clackmannanshire Council as at 31st March 2009. These have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – 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.

Financial Statements

The accounting statements that follow consist of:

- A Statement of Responsibilities for the Accounts which sets out the respective responsibilities of the Council 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:

Income and Expenditure Account - gives the expenditure for all Council services and the source of funding for them and resulting deficit for the year.

Statement of Movement on General Fund Balance - the accounting basis for preparing the income and Expenditure Account is not in line with statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. This statement provides the basis for making the necessary adjustments.

Statement of Total Recognised Gains and Losses - Not all gains and losses experienced by an authority are reflected in the Income and Expenditure Account e.g. revaluation of assets, pension actuarial gains and losses. This statement brings together all the gains and losses for the year and shows the aggregate net worth of the authority.

Balance Sheet - is a consolidation of the Council's financial position. It shows the balances and reserves available, long term indebtedness and the fixed and current assets of the Council.

Cash Flow Statement - shows the inflows and outflows of cash as a result of all the Council's transactions, both capital and revenue, in all its funds.

- 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 is also included which records the financial position of those funds 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 deficit of £14.659m is recorded for the year in this Statement. This is because the Income and Expenditure Account is presented 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 £15.419m which converts the deficit to a surplus figure of £0.760m. 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 achieved a surplus of £0.760m for the year, against a budgeted deficit of £0.326m. There was an overspend of £754k on net cost of services. The Council continued to encounter particular demand led pressures within Special Education and Childcare budgets during the year. This overspend was offset by a saving of £708k on the budgeted support for the new secondary schools PPP scheme due to delays in completion, and spend within devolved Education budgets was £581k less than allocated. There was a saving on capital financing costs of £794k which was offset by a reduction in interest earned on revenue balances of £426k, and a planned revenue contribution to capital of £400k was not required. A review of the Councils exposure to equal pay claims has necessitated an increase of £472k on the level of provision.

Council Tax income is £74k greater than estimated due to continued improvements in collection levels.

General Fund Account - Revenue Balance

The General Fund balance at the end of the year totalled £5.531m. Within this year-end General Fund balance, £4.529m is earmarked for specific purposes in respect of the following:

	£000
Devolved Management within Schools	488
Secondary Schools PPP	1,524
Service Improvement Contracts	625
Implementation of Single Status	1,255
Modernising Government	560
Zero Waste Fund	154
Adult Care carry forward scheme	(77)
Total	4,529

This leaves £1.002m generally available for new expenditure. The Council has budgeted to make contributions to reserves over the next few years with the aim of bringing the uncommitted reserve balance up to £3.1m by 2011/12.

Revenue Budget Performance - Housing Revenue Account

The Housing Revenue Account deals with council house management transactions. It ended the year with a surplus of £774k, which was an improvement of £629k on the budgeted surplus of £145k. Savings on capital financing costs of £271k together with reductions on void rent loss of £133k and reduced contribution to bad debts of £133k are the main contributing factors to this favourable position.

In accordance with the Housing Business plan to achieve the Scottish Housing Quality Standard and enhanced Clackmannanshire Standard, sums are required to be contributed from reserves to support the required capital investment programme. In 2008/09, a revenue contribution to capital of £2.078m has been made.

The Housing Revenue Account reserve at the start of the year was £7.356m. After taking account of the surplus generated in the year less the capital contribution, the balance as at 31st March 2009 is £6.052m.

Capital Expenditure

A total of £17.3m was spent on the capital programme during the year. Capital receipts and grants totalled £4.7m and a capital contribution from revenue was made of £2.1m. The resultant net sum required to be financed from borrowing was £10.5m.

Within General Fund Services, the net borrowing requirement in the year was £4.5m less than estimated due to slippage over a range of projects which are now carried forward to the 2009/10 financial year. The Housing capital net programme of £6.7m was substantially achieved with minor slippage of only £147k.

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 records an increase to £46.3m from £22.7m last year. Details are explained in Note 3 to the Core Financial Statements.

Significant Trading Operations

The Councils trading operations are disclosed in Note 2 to the Core Financial Statements. The net surplus achieved on these trading units in the year was £746k, and both operations comfortably met the statutory requirement to break-even over a three-year period.

Secondary Schools PPP

The Council concluded the project agreement in March 2007 with the preferred bidder, Clackmannanshire Schools Education Partnership (CSEP), on the c£72m redevelopment of the Secondary School Estate under a Public Private Partnership agreement (PPP). Alloa Academy was handed over to the Council in January 2009 and Alva Academy in March. The remaining school, Lornshill Academy was handed over in May 2009.

The estimated annual unitary charge from 2009/10 is £6.421m and will increase annually by inflation over the 30 year term of the contract. The Scottish Government will provide additional funding towards the project of £3.43m per annum.

Stirling-Alloa-Kincardine Rail Link

The Stirling-Alloa-Kincardine rail link re-opening is a major infrastructure project which was funded by the Scottish Government with contributions from the Strategic Rail Authority, Scottish Enterprise Forth Valley, Fife Council and Clackmannanshire Council. A new railway station has been built in Alloa town centre, allowing direct hourly passenger services to operate between Alloa, Stirling and Glasgow Queen Street. The project is now complete, and rail services commenced operation in May 2008.

The Council is responsible for processing all contract and associated payments in relation to this project. During 2008/09, £7.1m 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.

Economic Climate

The current economic climate of recession will result in reductions in public sector spending at national level and in local income generation through fees and receipts. This will mean that, more than ever, the Council will need to be efficient in balancing the growing demands on its resources to ensure that its key priorities are being appropriately targeted.

Acknowledgements

I wish to record my thanks to all 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
24th September 2009

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 Council, that officer is the Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Head of Finance's responsibilities

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

In preparing this 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
- complied with the Code of Practice.

The Head of Finance has also:

- kept proper accounting records which are up to date
- 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 2009.

Muir S Wilson, B.A., FCCA
Head of Finance
24th September 2009

CLACKMANNANSHIRE COUNCIL

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the 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;
- 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 free access to the Chief Executive, Monitoring Officer and Elected Members of the Council as and when required. The work of the Internal Audit section is reported directly to the Scrutiny 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 progress that Services make against the recommendations accepted in the individual audit reports are now also monitored by the Scrutiny Committee. The Internal Audit section operates in accordance with CIPFA's Code of Practice for Internal Audit in Local Government. This is enshrined within the Council's Financial Regulations.

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;
- the ongoing monitoring of the recommendations from the Internal Audit section by the Scrutiny Committee; 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.

This statement also covers the Council's interests in six organisations incorporated in the Group Accounts. They are listed at the end of Note 18 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 another 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
24th September 2009

CLACKMANNANSHIRE COUNCIL

STATEMENT OF ACCOUNTING POLICIES

The following policies apply to the Accounts of Clackmannanshire Council for the year 2008/09

1. General Principles

The Statement of Accounts summarises the council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice* (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 on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where 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.

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

As part of the terms and conditions of employment of its officers and other employees, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in 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 worked 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years.
- The assets of the Falkirk pension fund attributable to the council are included in the Balance sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as 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.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standard. 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 2008* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council’s status as a multi-functional, democratic organisation. (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 and any depreciation and impairment losses chargeable on non-operational properties.

These two costs categories are defined in BVACOP and 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 at existing use value for social housing.
- Other Land and Buildings are included 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 and assets surplus to requirements at the lower of net current replacement cost or net realisable value.
- Assets under construction are included 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. All assets were last revalued as at 1st April 2005. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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 any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment 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). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. 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 Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Council Dwellings and other buildings - straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, Plant, Furniture and Equipment - straight-line allocation of each class of asset in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure Assets - straight-line allocation over 60 years

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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

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 and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- 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. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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 that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

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

14. Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

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

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.

17. Private Finance initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the council under a contract are generally charged to revenue to reflect the value of services received in each financial year.

Prepayments

A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. The difference between the value of the asset at the date of the transfer and any residual value that might accrue to the council at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on council tax.

Residual Interests

Where assets created or enhanced under the PFI scheme are to pass to the council at the end of the scheme at a cost less than fair value (including nil) (residual Interests), an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long-term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

PFI Credits

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

CLACKMANNANSHIRE COUNCIL

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2009

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last 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.

2007/08	Notes	2008/09	2008/09	2008/09
<u>Net</u> <u>Expend</u> <u>£000</u>	<u>Services</u>	<u>Gross</u> <u>Expenditure</u> <u>£000</u>	<u>Gross</u> <u>Income</u> <u>£000</u>	<u>Net</u> <u>Expenditure</u> <u>£000</u>
1,196	Central services to the public	1,086	172	914
6,694	Cultural and related leisure services	9,178	1,955	7,223
5,931	Environmental services	6,891	763	6,128
1,324	Planning & development services	1,302	186	1,116
50,250	Education services	58,117	2,386	55,731
3,602	Highways, roads and transport services	10,812	7,133	3,679
3,180	Local authority housing (HRA)	16,198	12,783	3,415
648	Other housing services	20,062	16,830	3,232
22,902	Social work	34,186	8,937	25,249
2,340	Corporate and democratic core	2,473	183	2,290
541	Non distributed costs	521	0	521
98,608	Net Cost of Council Provided Services	160,826	51,328	109,498
	Requisitions from Joint Boards:			
4,187	- Police	4,457	196	4,261
2,875	- Fire	2,998		2,998
398	- Valuation	507		507
7,460		7,962	196	7,766
106,068	Net Cost of Services	168,788	51,524	117,264
(720)	Gain on the disposal of fixed assets			(364)
(245)	Surpluses on trading undertakings not included in Net Cost of Services			(328)
6,495	Interest payable and similar charges			6,176
(1,602)	Interest and investment income			(1,262)
(88)	Pension interest cost and expected return on pension assets			1,247
109,908	Net Operating Expenditure			122,733
	Financed By:			
(20,889)	Council Tax			(21,228)
(56,617)	General government grants			(68,039)
(18,147)	Non-domestic rates redistribution			(18,807)
(95,653)				108,074
14,255	Deficit for the year			14,659

CLACKMANNANSHIRE COUNCIL

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE For the year ended 31 March 2009

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 council 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.

2007/08		2008/09
<u>£000</u>		<u>£000</u>
14,255	Deficit for the year on the Income and Expenditure Account	14,659
(15,268)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(15,419)
<u>(1,013)</u>	Increase in General Fund Balance for the Year	<u>(760)</u>
(3,758)	General Fund Balance brought forward	(4,771)
<u>(4,771)</u>	General Fund Balance carried forward	<u>(5,531)</u>

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

2007/08 £000		2008/09 £000	2008/09 £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		
(132)	Amortisation of intangible fixed assets	(187)	
(20,353)	Depreciation and impairment of fixed assets	(21,229)	
92	Government Grants Deferred amortisation	184	
720	Net Gain on the sale of fixed assets	364	
313	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt	313	
(101)	Interest charge - EIR adjustment	(317)	
<u>(6,148)</u>	Net charges made for retirement benefits in accordance with FRS 17	<u>(5,897)</u>	
(25,609)			(26,769)
	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		
3,973	Loans fund principal repayments	4,605	
0	Capital expenditure charged in-year to the General Fund Balance	2,078	
<u>5,322</u>	Employer's contributions payable to the Falkirk Pension Fund and retirement benefits payable direct to pensioners	<u>5,823</u>	
9,295			12,506
	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		
107	Transfer to the Insurance Fund	148	
<u>939</u>	Housing Revenue Account balance	<u>(1,304)</u>	<u>(1,156)</u>
(15,268)	Net additional amount required to be credited to the General Fund balance for the year		(15,419)

CLACKMANNANSHIRE COUNCIL

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 March 2009

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the deficit 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.

2007/08 £000		2008/09 £000
14,255	Deficit for the year on the Income and Expenditure Account	14,659
0	(Surplus)/deficit arising on revaluation of fixed assets	0
4,907	Premiums and discounts transferred to FIAA	0
62	Change in Financial instruments carrying value	0
(20,149)	Actuarial (gains)/losses on pension fund assets and liabilities	23,545
33	Other gains and losses	0
<hr/> (892) <hr/>	Total recognised (gains)/losses for the year	<hr/> 38,204 <hr/>

CLACKMANNANSHIRE COUNCIL

BALANCE SHEET

For the year ended 31 March 2009

31 March 2008	Notes		31 March 2009	31 March 2009
£000			£000	£000
		Fixed Assets		
635	12	Intangible Assets	568	
		Tangible Fixed Assets		
		Operational Assets:		
141,795	13	council dwellings	141,227	
85,337	13	other land and buildings	74,343	
4,723	13	Vehicles, plant, furniture and equipment	6,536	
19,557	13	infrastructure assets	25,053	
		Non-Operational Assets:		
18,601	13	investment properties	19,162	
1,164	13	assets under construction	24	
289	13	surplus assets held for disposal	286	
272,101		Total fixed assets		267,199
501	19	Long-term investments		968
10	21	Long-term debtors		5,097
272,612		Total long-term assets		273,264
		Current assets		
523	22	Stocks and work in progress	479	
30,328	23	Debtors	24,280	
(10,311)		Less provision for bad debts	(11,023)	
10,253		Investments	13,257	
4,710		Cash and bank	17,751	
308,115		Total assets	32,952	64,439
		Current Liabilities		
(924)	24	Short-term borrowing	(40,012)	
(18,907)	26	Creditors	(15,035)	
288,284		Total assets less current liabilities		(55,047)
		Long-term liabilities		
(109,940)	24	Long-term borrowing		(115,325)
(1,009)	27	Provisions		(1,264)
(7,014)	29	Government grants deferred		(10,345)
(852)	28	Deferred liabilities		(838)
(22,661)		Liability related to defined benefit pension scheme		(46,280)
146,808		Total assets less liabilities		108,604
0		Revaluation Reserve		0
158,288	34	Capital Adjustment Account		144,103
(4,757)	34	Financial Instruments Adjustment Account		(4,761)
(22,661)	34	Pensions Reserve		(46,280)
3,215	34	Capital Receipts Reserve		3,215
4,771	34	General Fund Balance		5,531
7,356	34	Housing Revenue Account balance		6,052
596	33 & 34	Insurance fund		744
146,808		Total net worth		108,604

The unaudited accounts were issued on 25th June 2009 and the audited accounts were authorised for issue on 24th September 2009.

Muir S. Wilson, B.A., FCCA
Head of Finance
24th September 2009

CLACKMANNANSHIRE COUNCIL
CASH FLOW STATEMENT
For the year ended 31 March 2009

2007/08 £000	Notes	2008/09 £000	2008/09 £000
913	Net cash inflow/(outflow) from operating activities		13,477
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
	Interest Paid- Workings		
(6,495)	Interest charge for the year	(6,176)	
(62)	Other Interest	(0)	
0	Opening Creditor	(1,574)	
<u>1,574</u>	Closing Creditor	<u>1,665</u>	
(4,983)	Interest paid	(6,085)	
	Cash Inflows		
1	Opening Debtor	0	
<u>1,602</u>	Interest received	<u>1,262</u>	
1,603	Interest Received	1,262	
(3,380)	Net Cash Outflow from Returns on Investments and Servicing of Finance		(4,823)
	Capital Activities		
	Cash Outflows		
	Purchase of Fixed Assets - Workings		
(19,144)	Fixed Asset additions	(17,324)	
0	PFI - payments re: build up of Residual Value	(5,084)	
(201)	Opening Capital Creditors	(209)	
<u>209</u>	Closing Capital Creditors	<u>696</u>	
(19,136)	Purchase of Fixed Assets	(21,921)	
	Purchase of Long Term Investments		
0	Investment additions	(467)	
	Other Capital cash payments		
33	Capital cash payments	(0)	
	Cash Inflows		
	Sale of Fixed Asset - Workings		
3,284	Fixed Asset Disposals	1,174	
4,487	Opening Capital Debtors	866	
<u>(866)</u>	Closing Capital Debtors	<u>(453)</u>	
6,905	Sale of Fixed Assets	1,614	
	Other Capital Cash Receipts		
28	Other receipts	4	
	Capital Grants Received		
<u>3,503</u>	Grants received	<u>3,515</u>	
(8,667)	Net Cash Outflow from Capital Activities		(17,282)
(11,134)	Net Cash Inflow/Outflow before financing		(8,628)
	Management of Liquid Resources		
1,621	Net Increase/ Decrease in short - term deposits	0	
0	Net Increase/Decrease in other liquid resources	<u>(7,498)</u>	(7,498)
	Financing		
	Cash Outflows		
(100)	Repayments of amounts borrowed	(14)	
	Cash Inflows		
<u>14,096</u>	New Loans Raised	<u>44,382</u>	
13,996	Net Cash Inflow from Financing		44,368
4,483	Increase/Decrease in Cash		28,242

CLACKMANNANSHIRE COUNCIL

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Undischarged Obligations Arising From Long-Term Contracts

The annual payments payable under the Secondary Schools PPP contract will be £6.4m from 2009/10 and will increase annually by inflation over the 30 year contract period. The Scottish Government will provide additional funding towards the project of £3.4m per annum. Budget has been allocated to meet the net budget affordability gap in 2009/10 and further budget provision will be made in 2010/11. The net costs of the Secondary Schools PPP agreement borne by the Income and Expenditure Account in 2008/09 was £0.673m (2007/08 nil)

2. 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.

		£000	£000
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 (£309,000)	Turnover	5,674	
	Expenditure	(5,111)	
	Surplus		563
	(Surplus 2006/07)	82	
	(Surplus 2007/08)	411	
	(Cumulative surplus over three years)	1,056	
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 (£111,000)	Turnover	2,527	
	Expenditure	(2,344)	
	Surplus		183
	(Surplus 2006/07)	112	
	(Surplus 2007/08)	92	
	(Cumulative surplus over three years)	387	
Net surplus on trading units:			746

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 met by both of the Trading Operations.

3. Participation in Pensions Schemes 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 2009 was £3.808m (2007/08 £3.685m), of which employer's contributions totalled £2.578m (2007/08 £2.494m) and employee's contributions totalled £1.230m (2007/08 £1.191m). The agreed contribution rates for future years are 14.9% from 2009/10 (2008/09: 13.5%) for employers and 6.4% (2008/09: 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 2008/09 these amounted to £0.496m representing 2.60% of pensionable pay (£0.439m, representing 2.38% of pensionable pay in 2007/08).

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.

Under the 2008 SORP the Council has adopted the changes to FRS 17, Retirement Benefits. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. Current and prior year surplus have been unaffected by this change.

Transactions Relating to Retirement Benefits

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 required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2007/08 £000	2008/09 £000
Income and Expenditure Account		
<i>Net Cost of Services</i>		
• current service cost	(5,695)	(4,129)
• curtailments and settlements	(42)	(67)
• past service cost	(499)	(454)
<i>Net Operating Expenditure</i>		
• interest cost	(9,783)	(10,950)
• expected return on assets in the scheme	9,871	9,703
<i>Net charge to the Income and Expenditure Account</i>	(6,148)	(5,897)
Statement of Movement in the General Fund Balance		
• reversal of net charges made for retirement benefits in accordance with FRS 17	6,148	5,897
Actual amount charged against council tax for Pensions in the year:		
• employers' contributions payable to scheme	(5,322)	(5,823)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £(23,545k) (£20,149k March 2008) were included in the Total Recognised gains and losses. The cumulative amount of actuarial gains and losses included in the Statement of Total Recognised gains and losses is £(4,711k).

Assets and Liabilities in Relation to Retirement Benefits

The Falkirk Council Pension scheme is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

As at 31st March 2009 in order to comply with FRS 17 the Council has the following overall assets and liabilities relating to the pension scheme now included in the balance sheet.

Reconciliation of Present Value of Scheme Liabilities

	2008/09 £'000	2007/08 £'000
Opening Value of Scheme Liability	158,941	179,431
Current Service Costs	4,129	5,695
Interest Costs	10,950	9,783
Contributions by scheme participants	1,697	1,659
Actuarial (gains) and losses	(19,176)	(33,792)
Benefits paid	(6,533)	(4,376)
Past service costs	454	499
Settlements	0	0
Curtailments	67	42
Closing Value of Scheme Liability	150,529	158,941

Reconciliation of Fair Value of Scheme Assets

	2008/09 £'000	2007/08 £'000
Opening Fair Value of Employer Assets	136,280	137,447
Expected return on scheme assets	9,703	9,871
Actuarial (gains) and losses	(42,721)	(13,643)
Contributions by employer	5,823	5,322
Contributions by scheme participants	1,697	1,659
Benefits paid	(6,533)	(4,376)
Settlements	0	0
Closing Fair Value of Employer Assets	104,249	136,280

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

The actual return on the scheme assets in the year was £28,054k (2007/08 £3,772K)

Scheme History

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 2009 £000s	31 March 2008 £000s
Estimated liabilities in Scheme	(138,199)	(146,696)
Estimated liabilities arising from unfunded discretionary benefits	(12,330)	(12,245)
Estimated assets Scheme	104,249	136,280
Net asset/(liability)	(46,280)	(22,661)

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The liability of £46m has a substantial impact on the net worth of the Council 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.

The total contribution expected to be made to the Local Government pension scheme by the Council in the year to 31st March 2010 is £6,301K.

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 2008.

The principal assumptions used by the actuary have been: -

Long Term Expected Rate of Return on Assets in the Scheme	2008/09	2007/08
Equity Investments	7.0%	7.7%
Bonds	5.4%	5.7%
Property	4.9%	5.7%
Cash	4.0%	4.8%

Longevity at 65 for future pensioners	2008/09	2007/08
Men	22.0 Years	22.0 Years
Women	25.0 Years	25.0 Years
Longevity at 65 for Current pensioners		
Men	20.7 Years	20.7 Years
Women	23.8 Years	23.8 Years
Rate of Inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Take up of option to convert annual pension into retirement lump sum	50%	25%

History of experience Gains and Losses

The actuarial losses identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as absolute amounts and as percentage of assets or liabilities at 31 March 2009:

	Year to 31 Mar 2009 £000	Year to 31 Mar 2008 £000	Year to 31Mar 2007 £000	Year to 31Mar 2006 £000	Year to 31Mar 2005 £000
Difference between the expected and actual return on assets	(42,721)	(13,643)	(1,115)	17,340	2,939
Value of Assets	104,249	136,280	137,447	127,319	97,533
Percentage of assets	(40.98%)	(10.0%)	(0.8%)	13.6%	3.0%
Experience Gains/ (Losses) on liabilities	3,948	1,132	217	172	2
Total Present Value of Liabilities	150,529	158,941	179,431	179,946	144,875
Percentage of the Total Present Value of Liabilities	2.62%	0.7%	0.1%	0.1%	0.0%
Actuarial Gains/ (Losses) recognised in STRGL	(23,545)	20,149	11,703	(2,629)	(23,641)
Total Present Value of Liabilities	150,529	158,941	179,431	179,946	144,875
Percentage of the Total present Value of Liabilities	(15.6%)	12.7%	6.5%	(1.5%)	(16.3%)

4. Agency Income and Expenditure

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 £0.135m (2007/08 - £0.128m). This income is included in the Income and Expenditure Account.

5. 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 £14,291 in 2008/09 (2007/08 £13,319).

Roads and property maintenance work was carried out on behalf of Forth Valley College. Income from these services amounted to £9,696 in 2008/09 (2007/08 £9,572)

Income relating to an external catering contract with Scottish Borders Council amounted to £58,329 in 2008/09 (2007/08 £78,513).

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 2008/09 £1,405 (2007/08 £2,699)
- Falkirk Council – income 2008/09 £644 (2007/08 £2,967)
- Stirling Council – income 2008/09 £861 (2007/08 £232)
- Forth Valley Primary Care NHS Trust – income 2008/09 £26,329 (2007/08 £29,345)
- Scottish Enterprise – Careers Service - income 2008/09 £3,947 (2007/08 £3,870)

6. Expenditure on Publicity

Per the requirements of Section 5(1) of the Local Government Act 1986 the council's spending on publicity was:

	2007/08	2008/09
	£000	£000
Recruitment advertising	110	124
Other Publicity	<u>123</u>	<u>72</u>
Total	<u>233</u>	<u>196</u>

7. Operating Leases

Vehicles, Plant, Furniture and Equipment – the authority uses computer equipment, plant, vehicles, wheeled bins and street lighting financed under the terms of an operating lease. The amount paid under these arrangements in 2008/09 was £217,000 (2007/08 £302,000).

The authority was committed at 31st March 2009 to making payments of £176,000 under operating leases in 2009/10, comprising the following elements:

	Vehicles, Plant and Equipment
	£000
Leases expiring in 2009/10	<u>0</u>
Leases expiring between 2010/11 and 2014/15	83
Leases expiring after 2014/15	93

8. Community Care and Health (Scotland) Act 2002 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 2008/09	Expenditure 2008/09
	£000	£000
Integrated Mental Health Management	140	78
Skills Training	285	261
Integrated MH Reserves	0	11
Mental Health Day Unit	<u>528</u>	<u>535</u>
	<u>953</u>	<u>885</u>
Clackmannanshire Council	45%	40%
NHS Forth Valley	55%	60%

9. Members' Allowances

The total amount paid in respect of members' allowances for 2008/09 was £389,000 (2007/08 - £402,000).

10. Officers' Remuneration

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

Remuneration Band	Number of Employees	
	2007/08	2008/09
£50,000 - £59,999	14	18
£60,000 - £69,999	11	11
£70,000 - £79,999	4	3
£80,000 - £89,999	0	2
£90,000 - £99,999	1	1
	<u>30</u>	<u>35</u>

11. Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council. 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 2007/08 are disclosed elsewhere within the Statement of Accounts: -

- a) Receipts from Central Government (Revenue Support Grant, NNDR Contribution from Pool, Government Grants etc) are shown on the Cash Flow Statement
- b) Payments to the Falkirk Council Superannuation Fund and Scottish Executive (Teachers' Pensions) are shown in Note 2 to the Core Financial Statements.
- c) Requisitions paid to Joint Boards are shown on the Income and Expenditure Account.
- d) Payments to Elected Members and Chief Officers are shown in Notes 8 and 9 to the Core Financial Statements.

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

a) Apex Leisure (Management) Limited

The Council made net payments of £369,000 (2007/08 - £357,000). This payment includes a subsidy towards running of Alloa Leisure Bowl of £249,000 (2007/08 - £247,000). Expenditure is offset by loan repayments to the Council of £4,000 (2007/08 £20,000).

b) East of Scotland European Consortium

The Council is a partner in the above Consortium, and made a membership contribution of £7,500 (2007/08 £7,000). This payment is included within the Corporate and Democratic Core figure in the Income and Expenditure Account.

c) The South East of Scotland Regional Transport Partnership (SESTRAN)

The Council's contribution to this partnership was £9,000 (2007/08 £2,000). The Council received revenue and capital grants and contributions towards transportation projects during 2008/09 as follows:

- Grants for Capital Expenditure Nil (2007/08 £127,000)
- Grants for Revenue Expenditure Nil (2007/08 Nil)
- Travel Plan/Round the Forth Grants £12,000 (2007/08 £15,000)

d) Forth Valley Geographical Information Services (FVGIS)

This is a limited company of which Clackmannanshire Council, Stirling Council and Falkirk Council are equal shareholders. The three funding councils pay an annualised amount for core GIS services. The contribution paid by the Council in 2008/09 was £149,000.

12. Audit Costs

Clackmannanshire Council incurred the following fees relating to external audit and inspection:

	2007/08 £000	2008/09 £000
• Fixed fee payable to Audit Scotland	60	63
• Fee payable to Audit Scotland for external audit services	158	160
• Audit Scotland rebate	0	(12)

13. Movements in Intangible Assets

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

	2007/08 £000	2008/09 £000
Cost at 1st April	662	936
Additions at Cost	<u>274</u>	<u>120</u>
Cost at 31st March	<u>936</u>	<u>1,056</u>
Accumulated Depreciation at 1st April	169	301
Depreciation charge for Year	<u>132</u>	<u>187</u>
Accumulated Depreciation at 31st March	<u>301</u>	<u>488</u>
Net Book Value at 1st April	<u>493</u>	<u>635</u>
Net Book Value at 31st March	<u>635</u>	<u>568</u>

14. Movement of Fixed Assets

	OPERATIONAL ASSETS				NON OPERATIONAL ASSETS			TOTAL
	Council dwellings*	Other Land and buildings	Vehicles plant, furniture & equipment	Infra-structure Assets	Investment Properties	Assets under Construction	Surplus Assets	
	£000	£000	£000	£000	£000	£000	£000	
Cost or Valuation at 31st March 2008	162,183	114,146	8,476	21,292	18,601	1,164	305	326,167
Accumulated depreciation and impairment	(20,388)	(28,809)	(3,753)	(1,735)			(16)	(54,701)
Net book Value of assets At 31st March 2009	141,795	85,337	4,723	19,557	18,601	1,164	289	271,466
Movements in 2007/08								
Additions at cost	7,770	1,188	2,887	4,684	651	24	0	17,204
Disposals	(1,066)	0	(25)	0	0	0	0	(1,091)
Transfer		90		1,164	(90)	(1,164)	0	
Depreciation	(7,272)	(12,272)	(1,049)	(352)	0		(3)	(20,948)
Net Book Value At 31st March 2008	141,227	74,343	6,536	25,053	19,162	24	286	266,631

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

15. Capital Expenditure and financing

	2007/08 £000	2008/09 £000
Capital Expenditure		
Operational Assets	17,210	16,530
Non-operational Assets	1,659	674
Intangible Assets	274	120
	19,143	17,324
Source of Finance		
Capital Receipts	3,284	1,174
Government Grants and other contributions	3,503	3,516
Borrowing	12,356	10,556
CFCR	0	2,078
	19,143	17,324

16. Valuation of Fixed Assets Carried at Current Value

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		7,770
General Services: -		
- Land & Access Roads for PPP School	243	
- DDA Compliance (Education Services)	10	
- Primary and Nursery School Development	64	
- Schools Alarm System	66	
- Schools Fund (Estate Strategy)	507	
- Muckhart Primary Heating Plant	120	
- Vending Machines	18	
- IT Hardware Replacement in Schools & White Boards	1,781	
- Lime Tree Walk	1,643	
- Lornshill Academy Demolition, Car Park & Football Pitch Construction	31	
- Alloa Town Hall Development	23	
- Cochrane Hall Upgrading	20	
- Dumyat Centre, Menstrie	16	
- Community Facilities Alva/Tillicoultry	83	
- Menstrie House En-Suite conversion	26	
- Adult Care Premises with Forth Valley NHS	23	
- Westhaugh Travelling Peoples Site	60	
- Bridge Strengthening	121	
- Traffic Management, Speed Reduction, Sustran	227	
- Elistoun Drive Flood Prevention & General Flood Prevention	478	
- Roads & Footpaths Improvements	126	
- Cycling, Walking & Safer Streets	85	
- Street Lighting	118	
- Major Roads (Class A,B & Unclassified)	1,104	
- Public Transport & Walking	18	
- Black Devon landfill site	73	
- Forthbank Waste Recycling	16	
- Wheeled Litre Bins	15	
- Contaminated Land	93	
- Cemeteries	91	
- Parks & Open Spaces	88	
- Outdoor Play Area	78	
- Alloa Town Centre	182	
- New Alloa Infrastructure	240	
- Vehicles	556	
- Kilncraigs 1936 Building Envelop	35	
- Kilncraigs 1904 Building Upgrade	18	
- Dumyat Business Park	502	
- Greenfield Heating	63	
- Council Office Improvements	85	
- Finance & IT Hardware	260	
- Various other capital projects	<u>28</u>	
		<u>9,434</u>
Items forming Fixed Assets (see Note 13)		17,204

Commitments Under Capital Contracts

The Council has approved £21.95m in 2009/10 under its capital programme, of which £3.2m has been contracted.

The contracts are as follows: -

	£000
Council Housing:	
- Kitchens	1,430
- Central Heating	511
- External Walls	346
- Other Housing	261
Roads	335
Primary & Nursery School Developments	<u>334</u>
	<u>3,217</u>

18. Information On Assets Held

	2007/08	2008/09
Council Dwellings	5,026	5,060
Council Offices	6	6
Nursery Schools	5	5
Primary Schools	19	19
Secondary Schools	3	3
Sports Centres	8	8
Residential Homes, Care Centre, Day Centres	10	10
Community Centres & Halls	7	7
Libraries	6	6
Cemeteries	8	8
Parks	7	7
Public Conveniences	8	8

19. Long Term Investments

The Council has a range of investments that are fully described in note 18 below. These are summarised as follows: -

	2008 £000	2008 £000	2009 £000	2009 £000
CSBP Clackmannanshire Investments Ltd (at cost)		158		169
CSBP Clackmannanshire Developments Ltd (at cost)		343		799
Apex Leisure (Management) Ltd (at cost)	200		200	
Less: Written off	(200)	-	(200)	-
		<u>501</u>		<u>968</u>

20. Interests in 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 99.9% by the Council.

For the year ended 31 March 2009 the company had net profits and net assets of £74,000 and £44,000 respectively. These figures have been incorporated in the Group Accounts.

The Council's liability is limited to its shareholding of £200,000.

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 2009 the company had net losses and net assets of £17,000 and £602,000 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 2008 the company had net losses and net liabilities of £143,000 and £89,000 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 2008/09 the Council contributed £4.261m or 15.8% of the Boards estimated running costs. The Boards net liabilities at 31 March 2009 were £282.852m 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 2008/09 the Council contributed £2.998m or 17.8% of the Boards estimated running costs. The Boards net liabilities at 31 March 2009 were £74.915m 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 2008/09 the Council contributed £507k or 15.4% of the Boards estimated running costs. The Boards net liabilities at 31 March 2009 were £2.519m 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

	2008	2009
	£000	£000
Loans to Employees	4	11
Loans to Subsidiary Companies	4	0
Business Development Loans	53	53
Other Loans - Alloa Bowling Club	2	1
Secondary Schools PPP (see note)	<u>0</u>	<u>5,085</u>
	63	5,150
Less Provision for bad debts (Business Development)	<u>53</u>	<u>53</u>
	<u>10</u>	<u>5,097</u>

Note: Under the terms of the Secondary Schools PPP agreement, ownership of the schools will pass to the Council when the contract terminates in 2038. The Council has made an upfront payment towards the estimated residual value of the schools and this has been reflected in the accounts as a long term debtor.

22. Stocks and Work in Progress

	2008	2009
	£000	£00
Stock		
Building Works	132	153
Roads - Salt	40	20
Roads - Lighting	21	27
Roads - Contracts	20	19
Waste Services	14	20
Vehicle Maintenance	97	44
Library Book Shop	23	22
Social Services	86	76
Catering	42	35
Cleaning	6	8
Corporate Gifts	4	6
Leisure Services	<u>5</u>	<u>1</u>
	490	431
Work in Progress		
Building Works	<u>33</u>	<u>48</u>
Total	<u>523</u>	<u>479</u>

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

	2008		2009
£000	£000	£000	£000
Debtors			
Government Departments	1,771		1,942
Government and Other Grants	1,510		1,807
Community Charge	407	0	
Less Provision for bad debts	<u>406</u>	<u>0</u>	
	1		0
Council Tax	9,304	9,211	
Less Provision for bad debts	<u>5,807</u>	<u>5,498</u>	
	3,497		3,713
Housing Rents	1,344	1,423	
Less Provision for bad debts	<u>591</u>	<u>564</u>	
	753		859
Non Domestic Rates	2,670	1,092	
Less Provision for bad debts and appeals	<u>2,209</u>	<u>637</u>	
	461		455
Sundry Debtors	12,143	4,244	
Less Provision for bad debts	<u>1,298</u>	<u>454</u>	
	10,845		3,790
Salaries and Wages		52	70
Capital Payments		<u>866</u>	<u>453</u>
Total Current Debtors	19,756		13,089
Prepayments			
Operational Leases	219	168	
Other	<u>42</u>	<u>0</u>	<u>168</u>
Total Debtors and Prepayments	<u>20,017</u>		<u>13,257</u>

24. Borrowing

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

Source of Loan	Average Rate payable (%)	Total Outstanding at 31 March	
		2008 £000	2009 £000
(a) Repayable within 12 months			
Public Works Loan Board	1.25%	0	6,001
Temporary Loans	0.8%	0	32,875
Revenue Advances: -			
- Common Good & Trust Funds		548	504
- Central Scotland Valuation Joint Board		346	324
- Forth Valley Criminal Justice Authority		3	285
- East of Scotland European Consortium		<u>27</u>	<u>0</u>
		924	39,989
Accrued interest on borrowing		<u>0</u>	<u>23</u>
		<u>924</u>	<u>40,012</u>
(b) Repayable after 12 months			
Public Works Loan Board	5.53%	89,707	89,703
Market Loans	4.22%	<u>18,659</u>	<u>23,980</u>
		108,366	113,683
Accrued interest on borrowing		<u>1,574</u>	<u>1,642</u>
		<u>109,940</u>	<u>115,325</u>
(c) Analysis of Long Term Loans by Maturity			
Between 1 - 2 year		1	1
Between 2 - 5 years		2	2
Between 5 - 10 years		5	5
More than 10 years		<u>109,932</u>	<u>115,317</u>
		<u>109,940</u>	<u>115,325</u>

25. Financial Instruments Disclosures

Types of Financial Instruments

Accounting regulations require the “financial instruments” (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of “financial instruments”.

TABLE 1 – FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current	
	31st March 2009	31st March 2008	31st March 2009	31st March 2008
	£000s	£000s	£000s	£000s
Borrowings				
Financial liabilities at amortised cost	115,325	110,183	38,898	0
Financial liabilities at fair value through income and expenditure	0	0	0	0
Other borrowing (Finance lease)	0	0	0	0
Total borrowings	115,325	110,183	38,898	0
Investments				
Loans and receivables	0	0	52,804	15,489
Available-for-sale financial assets	0	0	0	0
Fair value through income and expenditure	0	0	0	0
Unquoted equity under available for sale through x method	0	0	0	0
Total investments	0	0	52,804	15,489

NOTES.

1. LOBOs of £9.5m have been included in long term borrowing but have a call date in the next 12 months.

The above long term figures are based on para B12 of SORP 2007 which states that in undertaking EIR calculations the maturity period for a LOBO should be taken as being the contractual period to maturity.

Gains and Losses on Financial Instruments

There were no gains and losses in relation to financial instruments during the year.

Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 072/09.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only those which are materially different from the carrying value are disclosed.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31st March 2009		31st March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
PWLB - maturity	97,017	113,695	90,984	108,662
PWLB - annuity	43	68	43	63
LOBOs	24,287	24,983	18,913	20,153
Bonds	32,877	32,877	243	292
Financial liabilities	154,224	171,623	110,183	129,170

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31st March 2009		31st March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Cash	34,144	34,144	5,843	5,815
Deposits with banks and building societies	17,647	17,846	9,082	9,087
Investments in subsidiaries	1,012	1,012	501	501
Loans to small businesses and other orgs.	5,150	5,150	63	63
Financial assets	57,953	58,152	15,489	15,466

The fair value is lower than the carrying amount because the Councils portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date.

Nature and Extent of Risks Arising From Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

1. Credit Risk

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

TABLE 5 – CREDIT RISK (A)

	Amounts at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2009	Estimated maximum exposure to default and uncollectability as at 31 March 2009	Estimated maximum exposure to default and uncollectability as at 31 March 2008
	£000s	%	%	£000s	£000s
Deposits with banks and other financial institutions	17,647	2.58%	2.58%	455	0
Investments in subsidiaries	968	0	0	0	0
Loans to small businesses etc	5,150	1.03%	1.03%	53	0
Customers	3,190	n/a	n/a	1,476	1,298
Total	26,955			1,984	1,298

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

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. Clackmannanshire Council did not have any exposure to these banks, but the Council's maximum exposure to credit risk has been adjusted in light of the authorities who have experienced a bank default with these institutions. It should also be noted that all monies within these institutions are currently subject to the respective administration and receivership process, and CIPFA has stated that recoveries are expected to be between 50% and 100%

Debtors

The Council allow credit of 28 days for customers, such that £3.0m of the £3.2m balance is past its due date for payment. The past due amount can be analysed by age as follows:

TABLE 6 – CREDIT RISK (B)

	31 March 2009	31 March 2008
	£000s	£000s
Less than three months	153	161
Three to six months	202	111
Six months to one year	323	2,577
More than one year	2,381	1,528
Total	3,059	4,377

During the year a sum of £178k was charged to the Income and Expenditure Account in respect of an increase in the provision against current debts.

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 25% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value):

TABLE 7 – LIQUIDITY RISK

Loans outstanding	On 31 March 2009	On 31 March 2008
	£000s	£000s
Public Works Loans Board	95,704	89,704
Market debt	23,500	18,743
Temporary borrowing	32,875	0
Local bonds	0	0
Deferred purchase	0	0
Total	152,079	108,447
Less than 1 year	38,876	40
Between 1 and 2 years	1	44
Between 2 and 5 years	2	97
Between 5 and 10 years	5	70
More than 10 years	113,195	108,196
Total	152,079	108,447

In the more than 10 years category there are £9.5m of LOBOs which have a call date in the next 12 months.

3. Market Risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the STRGL.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs. However this is difficult to quantify as loan charge support is calculated on weighted average interest rates for all local authorities in Scotland.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

TABLE 8 – INTEREST RATE RISK

	£000s
Increase in interest payable on variable rate borrowings	95
Increase in interest receivable on variable rate investments	(351)
Increase in government grant receivable for financing costs	<u>0</u>
Impact on Income and Expenditure Account	<u>(256)</u>
Share of overall impact credited to the HRA	(73)
Decrease in fair value of 'available for sale' investment assets	<u>0</u>
Impact on STRGL	<u>0</u>
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	(61)
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	(20,516)

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

Price Risk

The Council has no investments held as available for sale and thus has no exposure to loss arising from price movements.

Foreign Exchange Risk

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

26. Creditors (Amounts falling due within one year)

	2008	2009
	£000	£000
Salaries and Wages	1,943	1,879
Housing Rent Prepayments	130	135
Rates	219	270
Revenues	836	32
Government Grants	5,304	1,452
Capital Payments	209	696
Sundry Creditors	<u>10,266</u>	<u>10,571</u>
	<u>18,907</u>	<u>15,035</u>

27. 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 received a number of claims of historic pay from specific groups of staff in 2006. A considerable number of settlements have been made up to and including 2008/09, but the provision in respect of these employees has been amended by £72k to reflect those claims still outstanding. Early in financial year 2009/10 a further claim was received from a new group of staff. A sum of £400k has been added to the provision to cover the initial potential estimated cost of these claims.

	Early Retirement	Equal Pay	Total
	2009	2009	2009
	£000	£000	£000
Balance as at 1 April 2008	71	956	1,027
Paid during the year	(71)	(190)	(261)
Arising during year	<u>26</u>	<u>472</u>	<u>498</u>
Balance at 31 March	<u>26</u>	<u>1,238</u>	<u>1,264</u>

28. 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

	2008	2009
	£000	£000
Developer contributions	609	636
European Investment Bank	<u>243</u>	<u>202</u>
	<u>852</u>	<u>838</u>

29. 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

	2008	2009
	£000	£000
Balance as at 1 April	3,603	7,014
Grants released during year	(92)	(184)
Grants received during the year	<u>3,503</u>	<u>3,515</u>
Balance at 31 March	<u>7,014</u>	<u>10,345</u>

30. Reserves and Balances Held by Schools Under Delegated Schemes

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.

	2008	2009
	£000	£000
Balance as at 1 April	1,243	916
Allocated to Schools during year	(860)	(916)
Contributions added to fund during the year	<u>533</u>	<u>488</u>
Balance at 31 March	<u>916</u>	<u>488</u>

31. Analysis of Net Assets Employed

	2008	2009
	£000	£000
General Fund	33,638	4,894
Housing Revenue Account	115,474	108,258
Trading Operations	<u>(2,304)</u>	<u>(4,548)</u>
Total	<u>146,808</u>	<u>108,604</u>

32. Contingent Liabilities

Equal Pay

The Council has received claims of historic pay inequality from specific groups of staff, particularly in catering, cleaning and homecare, and most recently, supervisory assistants. Note 25 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.

33. 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 2008/09 a net surplus was generated by claims on the policy excesses being below this ceiling of £126,000 (2007/08-£80,000).

	2007/08 £000	2008/09 £000
Opening Balance	489	596
Net Surplus/(deficit) (as above)	80	126
Interest Received etc	27	22
Closing Balance	<u>596</u>	<u>744</u>

34. Movements on 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 2008 £000</u>	<u>Net Movement in Year £000</u>	<u>Balance 31 March 2009 £000</u>	<u>Purpose of Reserve</u>	<u>Further Detail of Movements</u>
Revaluation Reserve	0	0	0	Store of gains on revaluation of fixed assets not yet realised through sales	
Capital Adjustment Account	158,288	(14,185)	144,103	Store of capital resources set aside to meet past expenditure	(a) below
Financial Instruments Adjustment Account	(4,757)	(4)	(4,761)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	(b) below
Capital Receipts Reserve	3,215	0	3,215	Proceeds of fixed asset sales available to meet future capital investment	(c) below
Pensions Reserve	(22,661)	(23,619)	(46,280)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 2 to the Core Financial Statements and (d) below
General Fund	4,771	760	5,531	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance
Housing Revenue Account	7,356	(1,304)	6,052	Resources available to meet future running costs for council housing	HRA Statements
Insurance Fund	596	148	744	Resources to provide an element of self-insurance	Note 31 to the Core Financial Statements
Total	146,808	(38,204)	108,604		

(a) Capital Adjustment Account

Appropriations to and from the Capital Adjustment 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
Depreciation	(21,229)
Disposals	(1,091)
Depreciation written off on disposals	281
Capital Receipts	1,174
Amortisations	(187)
Principal repayments	4,605
Capital funded from revenue	2,078
Deferred Government Grant release	<u>184</u>
	<u>(14,185)</u>

(b) Financial Instruments Adjustment Account

Statutory guidance allows Scottish local Authorities to treat all existing premiums & discounts (on repayment of debt) as unattached to existing loans. These are held in the FIAA and charged to the general fund as per original schedule.

The movement in the year is:

	£000
Release of premiums in year	313
Increase in carrying value of LOBO loans	<u>(317)</u>
	<u>(4)</u>

(c) Capital Receipts Reserve

This reserve has been established 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.

The movement in the year is:

	£000
Capital receipts	1,174
Capital receipts applied	<u>(1,174)</u>
	<u>(0)</u>

(d) Pensions Reserve

The movement in this reserve can be summarised as follows:

	£000
Appropriations (to)/ from revenue	(74)
Actuarial gains and losses relating to pensions	<u>(23,545)</u>
	<u>(23,619)</u>

35. Business Improvement District

Business Parks

Earlier this year Clackmannanshire Businesses voted for Scotland's first commercial Improvement District which is addressing the needs in the County's business parks.

Money will initially go on signage, Joint procurement of services, energy efficiency and waste management support services.

	2008 £'000	2009 £'000
Payment to BID Contractor	0	90
Income	0	(108)
Income carried forward	0	(18)

Alloa Town Centre

Local Businesses have since voted for a second BID for the regeneration of Alloa Town Centre. A Survey was conducted of business and shoppers in the town centre to establish what developments are seen as being the most important for Alloa. These include a shop front improvement scheme, cleaner streets, a town centre manager and increased police presence.

	2008 £'000	2009 £'000
Payment to BID Contractor	0	0
Income	0	(112)
Income carried forward	0	(112)

36. Charitable Trusts

The Council acts as sole Trustee for 8 Charitable trusts and Endowments.

	2008 £'000	2009 £'000
Clackmannan District Charitable Trust	32	31
Alloa Day Home Trust	164	170
Clackmannanshire Educational Trust	32	32
William M Duncanson Legacy	9	9
J Thomas Patons Endowment Fund	11	12
Robert Jeffrey's Legacy	2	2
Mrs Elizabeth McNair's Legacy	2	2
War Memorial Trust Fund	<u>13</u>	<u>13</u>
	<u>265</u>	<u>271</u>

37. Events after the Balance Sheet Date

There are no events that occurred between 1st April 2009 and 24th September 2009 that would have an impact on the 2008/09 Accounts.

38. Notes Relating to the Cash Flow Statement

Note A

For the Year Ended 31 March 2009

	2008/09 £	2008/09 £
RECONCILIATION OF SURPLUS/(DEFICIT) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
SURPLUS/(DEFICIT) FOR THE YEAR		(14,659)
<u>Non Cash Transactions</u>		
Depreciation & Impairment	21,416	
Deferred Grants amortised in year	(184)	
Pension Fund adjustments	74	
Provision for Equal Pay	255	
		21,561
<u>Adjustment for items reported separately on Cashflow</u>		
Interest and Investment Income		(1,262)
Interest payable and similar charges (including gains or losses on the repurchase of or early settlement of borrowing taken to revenue & amortisation of gains or losses on repurchase or early settlement of borrowings c/fwd in accordance with the SORP)		6,176
Gain or loss on the disposal of Fixed Assets		(364)
<u>Items on an Accrual Basis</u>		
(Increase)/Decrease in Stock		44
(Increase)/Decrease in Debtors		6,340
Increase/(Decrease) in Creditors		(4,359)
Net Cash Inflow(outflow) from operating activities		13,477 =====

Note B

Analysis of Net Debt

	Cash	Short Term deposits	Short Term Investments	Total	Loans Due within one year	Loans due after more than one year	Deferred Liabilities	Net Debt
	£	£		£	£	£	£	£
Balance at 1 April 2008	4,710	0	10,253	14,963	(924)	(109,940)	(852)	(96,753)
Receipt/payment of interest accrued at last Balance Sheet date	-	-	0	0	1,574	-	0	1,574
Other Cashflows in Year	28,242	0	7,498	35,740	(38,997)	(5,385)	14	(8,628)
Other Non Cash changes	-	-	0	0	(1,665)	0	0	(1,665)
Balance at 31 March 2009	32,952	0	17,751	50,703	(40,012)	(115,325)	(838)	(105,472)

Note C
Reconciliation of changes in Cash to movement in Net Debt

	2009 £	2009 £	2008 £	2008 £
Increase/(Decrease) in cash in year		28,242		4,483
Cash inflow (outflow) from management of Liquid Resources		7,498		1,621
Cash inflow from:				
New loans raised		(44,382)		(14,096)
Discounts received on debt restructuring		0		0
Cash outflow from:				
Payment of interest accrued at last balance sheet date	1,574			
Deferred Liabilities Spend	<u>14</u>	1,588	<u>100</u>	100
Change in net debt resulting from cash flows		<u>(7,054)</u>		<u>(7,892)</u>
Other Non Cash changes				
Interest accrued at year end on loans & finance leases carried at nominal value	(1,665)	<u>(1,665)</u>	(1,574)	<u>(1,574)</u>
Net Debt B/fwd		(96,753)		(87,287)
Net debt C/fwd		<u>(105,472)</u>		<u>(96,753)</u>

Note D
Analysis of changes in cash and liquid resources during the year

	2009 £	2008 £	Change in Year £
Short Term Investments	17,751	10,253	7,498
Short Term Deposits	0	0	0
Cash	32,952	4,710	28,242
Bank overdraft	<u>0</u>	<u>0</u>	<u>0</u>
Increase/(Decrease) in year	<u>50,703</u>	<u>14,963</u>	<u>35,740</u>

Note E
Government Grants

2007/08		2008/09
£000		£000
54,312	Revenue Support Grant	68,583
12,675	DSS Grants for Benefits	12,767
	Other Government Grants:	
307	Changing Children's Services Fund	0
162	SEFV	62
0	Forth Valley Health Board	25
0	Quality Assurance Development	2
0	Primary Milk Scheme	6
0	Schools of Ambition	137
0	ESOL	58
0	Masterclass	23
602	Probationers	0
213	Determined to succeed	241
255	Education Maintenance Allowance	255
0	Youth Music Provision	68
0	Post School Psychological Services	27
0	Active Start	1
0	Adult Literacy and Numeracy	2
0	Active Secondary	2
1,663	Community Regeneration	10
0	Gaelic Grant	15
231	Communities Scotland (Regeneration Outcome Regeneration)	1
0	Community Safety	25
2,552	National Priorities Action Fund	0
136	Glow Capital	0
4,964	SAK / Capital Grants	5,430
658	NEET funding	323
149	Active Schools	13
47	NOF Sport	0
4,244	Supporting People	0
595	House Condition Survey	0
887	Homelessness Strategy	0
0	PSHG	275
0	Home Energy	20
52	Fostering Replacements	0
907	Criminal Justice	990
0	Telecare	175
111	Mental Illness	0
0	BID	15
0	CJA	196
<u>1,915</u>	Various	<u>3,831</u>
<u>87,637</u>		<u>93,578</u>

CLACKMANNANSHIRE COUNCIL

HRA INCOME AND EXPENDITURE ACCOUNT For the year ended 31 March 2009

2007/08		2008/09	2008/09
£000		£000	£000
	Income		
(12,402)	Dwelling rents	(12,723)	
(59)	Non-dwelling rents	(58)	
(4)	Other Income	(2)	
(12,465)	Total Income		(12,783)
	Expenditure		
4,646	Repairs and maintenance	4,734	
3,537	Supervision and management	3,533	
7,102	Depreciation and impairment of fixed assets	7,540	
295	Other expenditure	274	
65	Increase in bad debt provision	117	
15,645	Total Expenditure		16,198
3,180	Net Cost of HRA Services per Authority Income and Expenditure Account		3,415
396	HRA services share of Corporate and Democratic Core		361
3,576	Net Cost of HRA Services		3,776
(515)	(Gain) on sale of HRA fixed assets		(372)
1,901	Interest payable and similar charges		1,844
(398)	Interest and investment income		(264)
(5)	Pensions interest cost and expected return on pension assets		74
4,559	Deficit for the year on HRA Services		5,058

CLACKMANNANSHIRE COUNCIL

STATEMENT OF MOVEMENT ON THE HRA BALANCE For the year ended 31 March 2009

<u>2007/08</u> <u>£000</u>		<u>2008/09</u> <u>£000</u>
4,559	Deficit for the year on the HRA Income and Expenditure Account	5,058
(5,498)	Net additional amount required by statute to be (credited) to the HRA Balance for the year	(3,754)
<u>(939)</u>	(Increase)/Decrease in the H R A Balance	<u>1,304</u>
(6,417)	Housing Revenue Account surplus brought forward	(7,356)
<u>(7,356)</u>	Housing Revenue Account surplus carried forward	<u>(6,052)</u>

CLACKMANNANSHIRE COUNCIL

Note to the Statement of Movement on the HRA Balance

2007/08 £000		2008/09 £000	2008/09 £000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
(7,102)	Depreciation and impairment of fixed assets	(7,540)	
515	Gain or loss on sale of HRA fixed assets	372	
<u>(322)</u>	Net charges made for retirement benefits in accordance with FRS 17	<u>(318)</u>	
(6,909)			(7,486)
	Employer's contribution payable to the Falkirk Pension Fund and retirement benefits payable direct to pensioners		
291	Employer's contribution payable to the Falkirk Pension Fund and retirement benefits payable direct to pensioners		332
1,120	Loans fund principal		1,322
0	Capital expenditure funded by the HRA		2,078
<u>(5,498)</u>	Net additional amount required to be credited to the HRA Balance for the year		<u>(3,754)</u>

CLACKMANNANSHIRE COUNCIL

NOTES TO HOUSING REVENUE ACCOUNT

1. Bad Debt Provision

In 2008/09 the provision for bad debt in respect of rent arrears is £563,444 (2007-08 £590,558).

2. Rent Arrears

Rent arrears decreased during the year by £31,194, to a total of £808,198. As a percentage of gross rental income the arrears represent 6.3% (2007/08 – 6.8%), which is equivalent to £160 (2007/08 - £166) per house.

3. Housing Stock

The stock of houses at 31 March 2009 was 5,026 (31 March 2008 - 5,060). The types of apartments are detailed in the following categories:

	Number	Previous Year
One apartment	40	40
Two apartments	1,303	1,308
Three apartments	2,269	2,292
Four apartments	1,269	1,275
Five apartments	143	143
Six apartments	<u>2</u>	<u>2</u>
	<u>5,026</u>	<u>5,060</u>

CLACKMANNANSHIRE COUNCIL

COUNCIL TAX INCOME ACCOUNT

For the year ended 31 March 2009

2007/08 £000		2008/09 £000	2008/09 £000
(24,304)	Total Charges Levied		(24,743)
	Deduct:-		
722	Exemptions		744
2,374	Discounts		2,385
3,305	Council Tax Rebates	3,300	
(3,314)	Less: Government Grant	<u>(3,336)</u>	(36)
32	Relief (Persons with a Disability)		32
300	Provision for bad and doubtful debts		396
(1)	Other Adjustments		(5)
(20,886)	Income from Council Tax		(21,227)
	Add:-		
(3)	Community Charge Arrears Recovered		(1)
(20,889)	Net Local Council Tax Income transferred to General Fund		(21,228)

CLACKMANNANSHIRE COUNCIL

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. CALCULATION OF THE COUNCIL TAX CHARGE BASE 2008/09

	Valuation Band									Total
	A (Disabled relief)	A	B	C	D	E	F	G	H	
Total number of dwellings	0	6,277	7,182	1,933	2,362	3,088	1,758	783	44	23,427
Less exempt dwellings	0	(210)	(189)	(57)	(42)	(47)	(14)	(4)	(6)	(569)
Disabled reduction	23	11	(21)	11	18	(29)	(8)	(4)	(1)	0
Less adjustment for single discounts	(3)	(915)	(778)	(192)	(161)	(155)	(60)	(27)	(0)	(2,291)
Less adjustment for double discounts	0	(42)	(56)	(23)	(20)	(24)	(20)	(11)	(1)	(197)
Effective number of dwellings	20	5,121	6,138	1,672	2,157	2,833	1,656	737	36	20,370
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	3,414	4,774	1,486	2,157	3,463	2,392	1,228	72	18,977
Less provision for non-collection 3.0%										570

COUNCIL TAX BASE 2008/09 (equivalent to a Council Tax of £1,148)	18,427
--	---------------

The product of the council tax base and the equivalent council tax charge give a budget for current year council tax income of £21.154m.

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	£ 637.78
A	£0 - £27,000	5,121	765.33
B	£27,001 - £35,000	6,138	892.89
C	£35,001 - £45,000	1,672	1,020.44
D	£45,001 - £58,000	2,157	1,148.00
E	£58,001 - £80,000	2,833	1,403.11
F	£80,001 - £106,000	1,656	1,658.22
G	£106,001 - £212,000	737	1,913.33
H	Over £212,000	36	2,296.00
		<u>20,370</u>	

CLACKMANNANSHIRE COUNCIL

NON-DOMESTIC RATE INCOME ACCOUNT For the year ended 31 March 2009

2007/08 £000		2008/09 £000	2008/09 £000
(13,713)	Gross Rates Levy		(14,153)
73	Transitional Adjustment		0
(62)	Large property Supplement		(82)
(13,702)	Rates Levied and Contributions in lieu		(14,235)
	Deduct: Reliefs, Remissions, etc.		
<u>306</u>	Rating (Disabled Persons) Relief		<u>310</u>
	Other Reliefs:-		
240	- Small Business Relief	594	
470	- Mandatory Relief	485	
79	- Discretionary Relief	82	
90	- Sports Club Relief	79	
1	- Rural Relief	<u>0</u>	
<u>880</u>			<u>1,240</u>
<u>539</u>	Voids and Empty Periods		<u>587</u>
<u>180</u>	Provision Against Doubtful Debts		<u>181</u>
(11,797)	Total for current year		(11,917)
<u>922</u>	Previous Years Charge Decrease (Increase)		<u>171</u>
(5)	Adjustments for Reliefs, Remissions etc		74
<u>19</u>	Payment of Interest		<u>56</u>
<u>4</u>	Provision Against Doubtful Debts		<u>(16)</u>
940	Total for previous years		285
(10,857)	Net Non-Domestic Rate Income		(11,632)
(20)	add back :- 25% Discretionary Reliefs not offset for Pool Contribution		(20)
(10,877)	Income for Contribution to Non-Domestic Rate Pool		(11,652)
10,877	Contribution to National Non-Domestic Rate Pool	11,652	
(18,147)	Distribution from National Non-Domestic Rate Pool	<u>(18,807)</u>	
(7,270)	Gain from National Pool		(7,155)
(18,147)	Net Non-Domestic Rate Income transferred to General Fund		(18,807)

CLACKMANNANSHIRE COUNCIL

NOTES TO THE NON-DOMESTIC RATE ACCOUNT

1. RATE POUNDAGES LEVIED

	2007/08 p	2008/09 p
National Non-Domestic Rate	44.1	45.8
small business relief supplement – properties valued > £29,000	0.3	0.4

2. CLACKMANNANSHIRE RATEABLE VALUES

	as at 1 April 2007 £000	as at 1 April 2008 £000
Commercial	12,923	12,089
Industrial	13,304	12,732
Miscellaneous	<u>6,754</u>	<u>6,527</u>
Total	<u>32,981</u>	<u>31,348</u>

3. NUMBER OF PREMISES

	as at 1 April 2007	as at 1 April 2008
Commercial	884	844
Industrial	323	302
Miscellaneous	<u>356</u>	<u>381</u>
Total	<u>1,563</u>	<u>1,527</u>

CLACKMANNANSHIRE COUNCIL

COMMON GOOD

Common Good

Common Good Funds are the assets and income of the former burghs of Scotland and stands separate from other accounts and funds of the Council. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. There is currently £8K principal funds held within the Common Good Account.

COMMON GOOD

BALANCE SHEET For the year ended 31 March 2009

2007/08		2008/09
	Current Assets	
8	Investments	8
<u>8</u>	Total Assets Less Liabilities	<u>8</u>
8	Common Good Fund	8

CLACKMANNANSHIRE COUNCIL
GROUP INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2009

2007/08 <u>Net</u> <u>Expend</u> <u>£000</u>	<u>Services</u>	2008/09 <u>Gross</u> <u>Expenditure</u> <u>£000</u>	2008/09 <u>Gross</u> <u>Income</u> <u>£000</u>	2008/09 <u>Net</u> <u>Expenditure</u> <u>£000</u>
1,196	Central Services to the public	1,086	(172)	914
6,679	Cultural and Related Leisure Services	9,866	(7,726)	7,140
5,923	Environmental Services	6,891	(754)	6,137
1,324	Planning & Development Services	1,302	(186)	1,116
50,261	Education services	58,106	(2,386)	55,720
3,602	Highways, roads and transport services	10,812	(7,133)	3,679
3,180	Local authority housing (HRA)	16,198	(12,783)	3,415
652	Other housing services	20,050	(16,830)	3,220
22,902	Social work	34,182	(8,937)	25,245
2,340	Corporate and democratic core	2,473	(183)	2,290
541	Non distributed costs	521	0	521
98,600	Net Cost of Council Provided Services	161,487	(52,090)	109,397
	Requisitions from Joint Boards:			
4,187	- Police	4,457	(196)	4,261
2,875	- Fire	2,998		2,998
398	- Valuation	507		507
7,460		7,962	(196)	7,766
106,060	Net Cost of General Services	169,449	(52,286)	117,163
1,190	Share of Operating Results of Associates	13,962	(13,997)	(35)
(19)	Share of Operating Results of Joint Ventures:			
	- Turnover		(29)	(29)
14	- Other Operating Income & Expenditure	45		45
107,245	Net Cost of Services	183,456	(66,312)	117,144
(715)	Profit on the disposal of fixed assets			(364)
(245)	Surpluses on Trading Operations not included in Net Cost of Services			(328)
6,493	Interest payable			6,185
266	Share of Interest Payable of Associates & Joint Ventures			244
(1,602)	Interest and Investment Income			(1,262)
(44)	Share of Interest Receivable of Associates & Joint Ventures			(34)
(88)	Pension interest cost and expected return on pension assets			1,247
3,728	Share of Pension interest cost and expected return on pension assets of Associates			4,102
(27)	Taxation of Group Entities			14
115,011	Net Expenditure			126,948
	Financed By:			
(56,617)	Revenue Support Grant			(68,039)
(18,147)	Non Domestic Rates – Distribution from National Pool			(18,807)
<u>(20,889)</u>	Council Tax and Community Charge			<u>(21,228)</u>
(95,653)				(108,074)
19,358	Deficit for the year			18,874

CLACKMANNANSHIRE COUNCIL

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

2007/08 £000		2008/09 £000
14,255	Deficit for the year on the Authority Income and Expenditure Account	14,659
	(Surplus)/deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions)	
(18)	Subsidiaries	(74)
5,074	Associates	4,209
<u>47</u>	Joint Ventures	<u>80</u>
19,358	Deficit for the year on the Group Income and Expenditure Account	18,874

CLACKMANNANSHIRE COUNCIL

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES **For the year ended 31 March 2009**

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.

2007/08		2008/09
£000		£000
19,358	Deficit for the year on the Income and Expenditure Account	18,874
(1,036)	(Surplus) deficit arising on revaluation of fixed assets	885
4,907	Premiums and discounts transferred to FIAA	0
62	Change in Financial Instruments carrying value	0
33	Other gains and losses	0
(36,632)	Actuarial (gains)/losses on pension fund assets and liabilities	24,306
<hr/>		<hr/>
<u>(13,308)</u>	Total recognised (gains)/losses for the year	<u>44,065</u>

CLACKMANNANSHIRE COUNCIL
GROUP BALANCE SHEET
For the year ended 31 March 2009

31 March 2008		31 March 2009	31 March 2009
£000		£000	£000
635	Intangible Assets		568
	Tangible Fixed Assets		
	<i>Operational Assets:</i>		
141,795	council dwellings		141,227
85,337	other land and buildings		74,343
4,735	Vehicles, plant, furniture and equipment		6,574
19,557	infrastructure assets		25,053
	<i>Non-Operational Assets:</i>		
18,601	investment properties		19,162
1,164	assets under construction		24
289	Surplus assets held for disposal		286
272,113	Total intangible and fixed assets		267,237
0	Loans Premium Account		0
501	Long-term investments		968
6,128	Investments in associates		6,000
1,673	Investments in Joint Ventures – Gross Assets	1,794	
(1,336)	- Gross Liabilities	(1,538)	256
59	Long-term debtors	5,150	
(53)	less provision for bad debts	(53)	
			5,097
279,085	Total long-term assets		279,558
	Current assets		
530	Stocks and work in progress	486	
30,332	Debtors	24,283	
(10,311)	Less provision for bad debts	(11,023)	
10,253	Investments	13,260	
4,825	Cash and bank	17,751	
		33,098	
314,714	Total assets		64,595
			344,153
	Current Liabilities		
(924)	Short Term Borrowing	(40,012)	
(19,071)	Creditors	(15,180)	
			(55,192)
294,719	Total assets less current liabilities		288,961
	Long-term liabilities		
(109,940)	Long Term Borrowing	(115,325)	
(1,009)	Provisions	(1,269)	
(7,014)	Government grants deferred	(10,345)	
(852)	Deferred liabilities	(838)	
			(127,777)
175,904	Total assets less liabilities excluding pension liability		161,184
(81,342)	Liability related to defined benefit pension scheme		(110,694)
94,562	Total assets less liabilities		50,490
	Financed by:		
162,499	Capital Adjustment Account		148,168
1,153	Revaluation Reserve		1,136
(4,757)	Financial Instruments Adjustment Account		(4,761)
3,225	Capital Receipts Reserve		3,244
(81,342)	Pensions reserve		(110,605)
596	Earmarked reserve – Insurance fund		744
4,771	General fund balance		5,531
7,356	Housing Revenue Account		6,052
1,061	Other Reserves		981
94,562	Group Balances and Reserves		50,490

The unaudited accounts were issued on 25th June 2009 and the audited accounts were authorised for issue on 24th September 2009

Muir S Wilson, B.A. FCCA
Head of Finance
24th September 2009

CLACKMANNANSHIRE COUNCIL

GROUP CASH FLOW STATEMENT For the year ended 31 March 2009

2007/08 £000		2008/09 £000	2008/09 £000	
(2,769)	Net Cash (Inflow) from Revenue Activities		(13,565)	(9,350)
	Returns on Investments and Servicing of Finance			
5,607	- Interest Paid	6,091		
(781)	- Interest Received	<u>(1,264)</u>	4,827	
(2)	Taxation		13	
	Capital Expenditure and Financial Investment			
11	- Purchase of fixed assets	40		
	- Long Term Investments	467		
15,726	- Other capital cash payments	21,917		
(3,284)	- Sale of fixed assets	(1,587)		
(3,503)	- Capital grants received	<u>(3,515)</u>	17,322	
	Acquisitions and Disposals			
0	- Investments in associates and joint ventures		0	
(135)	- Sales of investments in associates and joint ventures		0	
10,870	NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING		8,597	
	Management of Liquid Resources			
(1,621)	- Net increase/(decrease) in short- term deposits		0	
	- Net increase / (decrease) in other liquid resources		7,498	
	Financing			
258	- Repayments of amounts borrowed	14		
(14,000)	- New loans raised	<u>(44,382)</u>	(44,368)	
(4,493)	NET (INCREASE)/DECREASE IN CASH		(28,273)	

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 18 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 its one subsidiary company 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 2009, with the only exception being in respect of Apex Leisure (Management) Limited which reported to 30th September 2008. In this instance, interim statements have been prepared by the company to 31st March 2009 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 on pages 7 to 14.

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
	2007/08	£000	£000	£000	2008/09
	£000	£000	£000	£000	£000
Turnover	13,263	10,248	3,339	422	14,009
Fixed Assets	9,690	5,426	4,113	11	9,550
Current Assets	1,596	854	583	63	1,500
Liabilities due within one year	(952)	(635)	(122)	(38)	(795)
Liabilities due after one year or more	(62,886)	(50,335)	(17,909)	(424)	(68,668)

New Police and Fire Pension Schemes

The Local Government Pension Reserve Fund (Scotland) Regulation 2003 is the relevant legislation which allows local authorities to establish a pension reserve for pension scheme surpluses and deficits. The Regulation allows local authorities to reverse out through the Statement on the Movement of the General Fund Balance the pension costs under FRS 17, *Retirement Benefits*, and replace them with the actual pension contributions paid out of the general fund.

The new police and fire pension schemes, introduced from 6 April 2006 are not covered by the Local Government Pension Reserve Fund (Scotland) Regulation 2003. As a result, Central Scotland Police Joint Board and Central Scotland Fire and Rescue Joint Board are unable to reverse out the pension costs applicable under FRS 17 and replace them with the actual pension contributions paid out of the general fund. It is anticipated that this situation will be corrected by legislative action during 2009-10.

Central Scotland Police Joint Board have decided not to charge the FRS 17 costs of the new police pension scheme since its inception to the general fund. If the FRS 17 calculated costs of the scheme since inception had been accounted for in line with the existing legislative framework this would have resulted in the General Fund balance and Pensions Reserve balances both being adjusted by £1.5m. The Council's share of the adjustment is £237k. The external auditor of the Central Scotland Police Joint Board has issued a qualified opinion to the financial statements as a result of this.

The accounts of Central Scotland Fire and Rescue Joint Board reflect the legislative position. Therefore, for the new fire pension scheme, the full FRS 17 costs since scheme inception have been charged against the General Fund balance. If this situation is amended by legislation during the 2009-10 financial year, the level of reserves as shown on the balance sheet for the General Fund and Pensions Reserve will be adjusted by £89k.

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

	2007/08	2008/09
	£000	£000
Turnover	19	19
Profit / (loss) before tax	(1)	(12)
Taxation	(9)	(4)
Fixed Assets	0	0
Current Assets	504	511
Liabilities due within one year	(194)	(210)
Liabilities due after one year or more	0	0

CSBP Clackmannanshire Development Company

	2007/08	2008/09
	£000	£000
Turnover	0	10
Profit / (loss) before tax	(63)	(72)
Taxation	(9)	0
Fixed Assets	0	0
Current Assets	1,169	1,283
Liabilities due within one year	(1,142)	(1,328)
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 £58.114m. 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 2009 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	(138,199)	(2,941)	(948)	(1,570)
Estimated liabilities in Police Pension Scheme		(47,210)		
Estimated liabilities in Firefighters Pension Scheme			(15,985)	
Estimated liabilities arising from unfunded discretionary benefits	(12,330)	(34)		
Estimated assets in Local Government Pension Scheme	104,249	2,382	746	1,146
Net asset/(liability)	(46,280)	(47,803)	(16,187)	(424)

Group Cash Flow Statement

The impact of the incorporation of the subsidiary company within the Group Cash Flow Statement is to increase the movement in the net cash position by £31k.

The overall net deficit for the year of £18.874m can be reconciled to the operating activities net cash inflow of £13.565m as follows:

2007/08 £000		2008/09 £000	2008/09 £000
19,358	Deficit for the Year per Group Income and Expenditure Account		18,874
(5,077)	Decrease in General Fund Balance for the year not included in Cash Flow as not subsidiary		(4,290)
	Items on an Accruals Basis		
(14)	Decrease in Stocks	(43)	
9,718	(Increase)/decrease in Debtors	(6,051)	
(638)	Increase in Creditors	<u>3,897</u>	(2,197)
	Non Cash Transactions		
(20,864)	Adjustments not involving movement of funds	(25,876)	
(5,233)	Contributions to Capital	184	
(19)	Contributions to Provisions	<u>(260)</u>	(25,952)
(2,769)	Net Cash inflow from Revenue Operations		(13,565)

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 (the Council) and its group for the year ended 31 March 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet 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 related notes and the Statement of Accounting Policies together with the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the Statement of 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the Council and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

We also report to you if, in our opinion, 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 compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risk and controls, or 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 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. Our 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 Responsible Financial Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Council's and its group 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

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the Council and its group as at 31 March 2009 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
1-4 Atholl Crescent
EDINBURGH
EH3 8LQ

September 2009