THIS PAPER RELATES TO ITEM 5 ON THE AGENDA

CLACKMANNANSHIRE COUNCIL

Report to Council of 18th December 2008

Subject: Audited Statement of Accounts 2007/08

Prepared by: Martin Dunsmore, Accounting and Budgeting Manager

---

1.0 SUMMARY

1.1. This report brings forward to the Council the final audited Statement of Accounts for the year ended 31st March 2008.

2.0 RECOMMENDATIONS

2.1. That the Council notes and formally approves the Accounts for the financial year 2007/08.

3.0 BACKGROUND

3.1. A draft set of unaudited accounts was presented to the Council at its meeting on 19th June. The external audit was completed on 30th September, and the final audited version of the accounts is now presented for formal approval by Council.

3.2. The draft accounts indicated that the Council finished the year with cumulative surpluses as follows:

- £5.164m in the General Fund
- £7.447m in the Housing Revenue Account
- £0.489m in the Insurance Fund

3.3. As a result of the audit, there have been some changes made to the above figures. The General Fund balance carried forward (see page 16 of accounts) is now £4.771m as a result of £393k of Supporting People Grant carried forward from the previous year which was double counted in the draft accounts. The Housing Revenue Account balance carried forward (see page 42 of accounts) is now £7.356m following the re-categorisation of £91k of capital expenditure as repairs.

3.4. The Explanatory Foreword on page 2 of the Accounts provides a concise guide to the most significant aspects of the Councils performance during the year.

4.0 CONCLUSIONS

4.1. The General Fund achieved a surplus in the year of £1.013m compared to a budgeted sum of £0.236m. Whilst this has helped to increase the cumulative reserve to £4.771m, it should be highlighted that a total of £4.354m of this year-end revenue balance is earmarked for specific purposes, leaving only £0.417m available for any new or unforeseen expenditure.

4.2. The Housing Revenue account achieved a surplus of £0.939m in the year, and the balance on this account stands at £7.356m at the year end. This balance will start to be utilised to assist the delivery of the Scottish Housing Quality Standard over the next few years.

4.3. The auditors annual report on the accounts is presented separately for consideration.

5.0 SUSTAINABLITY IMPLICATIONS

N/A

6.0 FINANCIAL IMPLICATIONS

6.1 As outlined in the Statement of Accounts

6.2 <u>Declarations</u>

1. The recommendations contained within this report support or implement Corporate Priorities, Council policies and/or the Community Plan:	**Reference**
Corporate Priorities	5.4
Council Policies	
Community Plan	
2. In adopting the recommendations contained in this report the Council is acting within its legal powers.	✓
3. The full financial implications of the recommendations contained in this report are set out in the report. This includes a reference to full life cycle costs where appropriate.	✓

Head of Finance

Director of Corporate Development

CLACKMANNANSHIRE COUNCIL

Report to Council

To accompany all Reports to Council

To: Head of Administration And Legal Services

Author:	Martin Dunsmore	Date:	9 December 2008
Service:	Corporate Development - Finance		
Date of Meeting:	18th December 2008		
Title of Report:	Audited Statement of Accounts 2007/08		

Recommendation that the attached report be:

1. Given unrestricted circulation	✓	(tick appropriate box)
2. Taken in private		

By virtue of paragraph ____ of schedule 7A, Local Government (Scotland) Act 1973.

Appendices attached to this report (if none, state "none")

1. Statement of Accounts 2007/08
2.
3.
4.

List of Background Papers (if none, state "none")

1. Draft Statement of Accounts 2007/08 presented to Council meeting on 19th June 2008.
2.
3.

Note: All documents specified must be kept available by the author for public inspection for four years from the date of the meeting at which the report is considered.

CLACKMANNANSHIRE COUNCIL
STATEMENT OF ACCOUNTS 2007/08

Contents	**Page**

CLACKMANNANSHIRE COUNCIL
EXPLANATORY FOREWORD 2007/08
BY THE HEAD OF FINANCE

Introduction

The financial statements represent the financial position of Clackmannanshire Council as at 31st March 2008. These have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice (SORP).

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

The 2007 SORP has introduced some substantive changes to the accounts which apply to the 2007/08 Statements:

- New and more comprehensive accounting disclosure requirements in respect of financial instruments following the issue of Financial Reporting Standards 25, 26 and 29 by the Accounting Standards Board.

- The replacement of the Fixed Asset Restatement Account and Capital Financing Account by a Revaluation Reserve and Capital Adjustment Account.

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 provided 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 all the Councils 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 and Charitable Trusts is also included which records the financial performance of those activities administered by the Council

- Group Accounts Statements which combine the revenue and balance sheet figures for the Council as a whole with those of separate companies and bodies in which the Council has a controlling interest.

Income and Expenditure Account

A deficit of £14.255m 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 £15.268m which converts the deficit to a surplus figure of £1.013m. 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 £1.013m for the year, against a budgeted surplus of £236k. There was an overspend of £744k on net cost of services, which represents a variance of 0.74% on spending plans. The Council encountered particular demand led pressures within Residential Schools and Fostering budgets during the year. This overspend was offset by a contribution from Significant Trading Operations which were £109k greater than budgeted. The review of the general fund bad debt provision resulted in a revised contribution which was £68k less than estimated.

Our funding from Scottish Government, Aggregate External Finance was £1.316m in excess of budget provision. Much of this is a result of particular funding streams brought forward from the previous year.

Council Tax income is £398k greater than estimated. The considerable house building in the area has increased the tax base by £162k in the year. A review of the level of bad debt provision carried for individual tax years has resulted in a reduction in the overall provision of £236k. This reflects continued improvements in collection levels.

General Fund Account - Revenue Balance

The General Fund balance at the end of the year totalled £4.771m. Within this year-end General Fund balance, £4.354m is earmarked for specific purposes in respect of the following:

	£000
Devolved Management within Schools	916
Area Management Boards	188
Secondary Schools PPP	598
Service Improvement Contracts	475
Implementation of Single Status	1,200
Specific Revenue Support Grant funding streams	1,148
Opening of the Rail Link	20
Adult Care carry forward scheme	(191)
Total	**4,354**

This leaves only £417k generally available for new expenditure. The Council has recommended that the minimum revenue balance that is required to be held for unanticipated expenditure is £1.8m. The actual un-earmarked element of the revenue balance remains below this level. However, the Council has taken steps to address this position within its 2008/09 budget by allocating a sum of £1.063m to reserves.

Revenue Budget Performance - Housing Revenue Account

The Housing Revenue Account deals with council house management transactions. It ended the year with a surplus of £939k, which was a variance of £838k from the budgeted net income of £101k. Expenditure on capital financing and other expenses were significantly below budget. Rental income also exceeded budget estimate.

Taking into account the balance brought forward from the previous financial year the accumulated balance on the Housing Revenue Account at 31 March 2008 is £7.356m.

This accumulated sum is earmarked to assist with improving the housing stock to achieve the Scottish Housing Quality Standard by 2015. In accordance with current Business Plan it is expected that c£3m is utilised to support capital investment over the next three years.

Capital Expenditure

A total of £19.1m was spent on the capital programme during the year. Capital receipts and grants totalled £6.8m. The net sum required to be financed from borrowing was £12.3m.

Within General Fund Services, slippage of £5.3m occurred on a budgeted programme of £17m, over a range of projects which are now carried forward to the 2008/09 financial year. This resulted in a corresponding reduction in anticipated borrowing in the year. The Housing capital budgeted programme of £9.3m was substantially achieved with minor slippage of £0.8m carried forward to 2008/09, which again reduced the budgeted sum borrowed in the year.

Pensions Accounting

Financial Reporting Standard 17(FRS 17) 'Retirement benefits' is fully adopted in the accounts. Although there is no impact on the council tax or rent payer, the net pension liability has decreased to £22.7m from £42.0m last year. Details are explained in Note 2 to the Core Financial Statements.

Significant Trading Operations

The Councils trading operations are disclosed in Note 1 to the Core Financial Statements. The net surplus achieved on these trading units in the year was £503k, and both operations comfortably met the statutory requirement to break-even over a three-year period.

Current Developments

Secondary School Development PPP

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

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

Stirling-Alloa-Kincardine Rail Link

The Stirling-Alloa-Kincardine rail link re-opening is a major infrastructure project which is being funded by the Scottish 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 2007/08, £19.1m 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. The Council's contribution during the year of £55k is included as capital expenditure and itemised within Note 16 of the notes to the Core Financial Statements.

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
30th September 2008

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 2008.

Muir S Wilson, B.A., FCCA
Head of Finance
30th September 2008

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. However, work is still ongoing to develop the Council's main financial ledger system, and to further improve the extraction and availability of management information.

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
30th September 2008

CLACKMANNANSHIRE COUNCIL

STATEMENT OF ACCOUNTING POLICIES

The following policies apply to the Accounts of Clackmannanshire Council for the year 2007/08

1. General Principles

The Statement of Accounts summarises the council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007 – 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. Changes in Accounting Policy in 2007/08

Financial Instruments

With effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply with the SORP. This has been based on major changes in international accounting standards which have resulted in this country in the introduction of new U.K. accounting standards for financial instruments - FRS25, 26 and 29.

This has caused major changes in the accounting treatment of financial instruments, soft loans and guarantees, which have been designed to present a higher quality of information on financial instruments, in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new "fair value" disclosure requirements have been introduced. The need for this has arisen in recent years through the high profile failure of a number of financial institutions e.g. Barings, Enron, World Com etc.

Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have, in 2007/08, to be valued on an amortised costs basis using the effective interest rate (EIR) method.

However, it should be noted that figures for 31 March 2007 which appear in the disclosure notes are shown unaltered from those which were published in the accounts for 2006/07 i.e. they have not been restated to amortised cost etc. Consequently, the figures for 31 March 2007 and 31 March 2008 are not properly comparable as they have been produced on two different basis. This is a one-off problem which will not occur in the accounts for future years when two years' figures will be properly comparable.

Fair Value

In the disclosure notes, financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Guidance from CIPFA states that as fair value valuations were not calculated as at 31 March 2007, the column for fair value as at 31 March 2007 in the disclosure notes cannot be filled in and so no figures appear.

For the very same reasons, no figures appear under 'Gains and losses on financial instruments' for 2006/07.

Financial Instruments Adjustment Account

A new reserve called the Financial Instruments Adjustment Account has been established to hold the accumulated difference between financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

Capital Accounting

The Fixed Asset Restatement Account and Capital Financing Account have been replaced by a Revaluation Reserve and Capital Adjustment Account. This change has been made prospectively and as a consequence the opening balance on the Revaluation Reserve is zero. The balances held on the previous accounts have been transferred to the Capital Adjustment Account.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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 – mid-market value

  - unquoted securities – professional estimate

  - unitised securities – average of the bid and offer rates

  - property – market value.

- The change in the net pensions liability is analysed into seven components:

  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employee worked.

  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account

  - expected return on assets – the annual investment return on the fund assets attributable to the council, based on the average of the expected long-term return – credited to the Net Operating Expenditure in the Income and Expenditure Account

  - gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses

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

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

Disclosure of Effect of Change in Discount Rate for Liabilities

In assessing liabilities for retirement benefits at 31 March 2008 the actuary is required to value these using the yields on corporate bonds. The recent market instability means that these yields have risen significantly since last year. The consequence of the rise in yields is a corresponding reduction in the level of liabilities. This has resulted in a decrease in liabilities measured at today's prices of £20.5m as detailed in note 2 to the Core Financial Statements.

8. 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.

9. 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 2007* (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.

10. 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).

11. 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 open market value for existing use or depreciated replacement cost as appropriate.

- 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 18.5 to 26 years

- Other Land and Buildings 5 to 52 years

- Vehicles, Plant, Furniture and Equip. 3 to 15 years

- Infrastructure Assets 60 years

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.

12. 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.

13. 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.

14. 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.

15. 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 (eg, 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).

16. 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.

17. Interests in Companies and Other Entities

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

CLACKMANNANSHIRE COUNCIL

INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2008

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.

2006/07 Net Expend £000	Notes	Services	2007/08 Gross Expenditure £000	2007/08 Gross Income £000	2007/08 Net Expenditure £000
720		Central services to the public	1,911	(715)	1,196
6,874		Cultural and related leisure services	10,003	(3,309)	6,694
5,456		Environmental services	7,339	(1,408)	5,931
1,821		Planning & development services	2,034	(710)	1,324
49,713		Education services	57,608	(7,358)	50,250
3,616		Highways, roads and transport services	22,834	(19,232)	3,602
3,906		Local authority housing (HRA)	15,645	(12,465)	3,180
682		Other housing services	19,850	(19,202)	648
20,533		Social work	32,337	(9,435)	22,902
2,036		Corporate and democratic core	2,391	(51)	2,340
(728)		Non distributed costs	541		541
94,629		**Net Cost of Council Provided Services**	**172,493**	**(73,885)**	**98,608**
		Requisitions from Joint Boards:			
3,926		- Police	4,187		4,187
2,759		- Fire	2,875		2,875
379		- Valuation	398		398
7,064			**7,460**		**7,460**
101,693		**Net Cost of Services**	**179,953**	**(73,885)**	**106,068**
(6,569)		Gain on the disposal of fixed assets			(720)
(50)		Surpluses on trading undertakings not included in Net Cost of Services			(245)
7,092		Interest payable and similar charges			6,495
(2,165)		Interest and investment income			(1,602)
223		Pension interest cost and expected return on pension assets			(88)
100,224		**Net Operating Expenditure**			**109,908**
		Financed By:			
(19,942)		Council Tax			(20,889)
(51,623)		General government grants			(56,617)
(17,876)		Non-domestic rates redistribution			(18,147)
(89,441)					**95,653**
10,783		**Deficit for the year**			**14,255**

CLACKMANNANSHIRE COUNCIL

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE
For the year ended 31 March 2008

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.

2006/07 £000		2007/08 £000	2007/08 £000
10,783	Deficit for the year on the Income and Expenditure Account		14,255
(10,660)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year		(15,268)
123	(Increase)/Decrease in the General Fund Balance for the year		(1,013)
(3,881)	General Fund Balance brought forward	(3,758)	
	Transition adjustments to comply with the SORP 2007	4,968	
	Transfers from the FIAA per Statutory Guidance	(4,968)	
	Restated General Fund Balance as at 1 April 2007		(3,758)
(3,758)	General Fund Balance carried forward		**(4,771)**

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

2006/07 £000		2007/08 £000	2007/08 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(96)	Amortisation of intangible fixed assets	(132)	
(19,510)	Depreciation and impairment of fixed assets	(20,353)	
16	Government Grants Deferred amortisation	92	
6,569	Net Gain on the sale of fixed assets	720	
0	Premiums and discounts held in FIAA	313	
0	Interest charge - EIR adjustment	(101)	
(6,190)	Net charges made for retirement benefits in accordance with FRS 17	(6,148)	
(19,211)			**(25,609)**
	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		
3,136	Loans fund principal repayments	3,973	
5,130	Employer's contributions payable to the Falkirk Pension Fund and retirement benefits payable direct to pensioners	5,322	
8,266			**9,295**
	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		
(62)	Transfer to/(from) the Insurance Fund	107	
347	Housing Revenue Account balance	939	**1,046**
(10,660)	**Net additional amount required to be credited to the General Fund balance for the year**		**(15,268)**

CLACKMANNANSHIRE COUNCIL

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2008

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

2006/07 £000		2007/08 £000
10,783	Deficit for the year on the Income and Expenditure Account	14,255
2,805	(Surplus)/deficit arising on revaluation of fixed assets	0
0	Premiums and discounts transferred to FIAA	4,907
0	Change in Financial instruments carrying value	62
(11,703)	Actuarial (gains)/losses on pension fund assets and liabilities	(20,149)
0	Costs applied to capital receipts reserve	33
1,885		**(892)**

CLACKMANNANSHIRE COUNCIL
BALANCE SHEET
For the year ended 31 March 2008

31 March 2007	Notes			31 March 2008	31 March 2008
£000				£000	£000
		Fixed Assets			
493	12	**Intangible Assets**		635	
		Tangible Fixed Assets			
		Operational Assets:			
142,174	13	council dwellings		141,795	
94,605	13	other land and buildings		85,337	
4,176	13	vehicles, plant, furniture and equipment		4,723	
16,161	13	infrastructure assets		19,557	
		Non-Operational Assets:			
15,636	13	investment properties		18,601	
2,570	13	assets under construction		1,164	
191	13	surplus assets held for disposal		289	
276,006		**Total fixed assets**			272,101
636	17	Long-term investments			501
38	19	Long-term debtors			10
4,907		Deferred premiums on the early repayment of debt			0
281,587		**Total long-term assets**			272,612
		Current assets			
534	20	Stocks and work in progress		523	
23,461	21	Debtors	30,328		
(9,819)		Less provision for bad debts	(10,311)		
				20,017	
11,874		Investments		10,253	
227		Cash and bank		4,710	
					35,503
307,864		**Total assets**			308,115
		Current Liabilities			
(1,007)	22	Short-term borrowing		(924)	
(19,273)	24	Creditors		(18,907)	
					(19,831)
287,584		**Total assets less current liabilities**			288,284
		Long-term liabilities			
(94,204)	22	Long-term borrowing			(109,940)
(1,008)	25	Provisions			(1,009)
(3,603)	27	Government grants deferred			(7,014)
(869)	26	Deferred liabilities			(852)
(41,984)		Liability related to defined benefit pension scheme			(22,661)
145,916		**Total assets less liabilities**			146,808
0		Revaluation Reserve			0
173,988	32	Capital Adjustment Account			158,288
0	32	Financial Instruments Adjustment Account			(4,757)
(41,984)	32	Pensions Reserve			(22,661)
3,248	32	Capital Receipts Reserve			3,215
3,758	32	General Fund Balance			4,771
6,417	32	Housing Revenue Account balance			7,356
489	31 & 32	Insurance fund			596
145,916		**Total net worth**			**146,808**

The unaudited accounts were issued on 19th June 2008 and the audited accounts were authorised for issue on 30th September 2008.

Muir S. Wilson, B.A., FCCA
Head of Finance
30th September 2008

CLACKMANNANSHIRE COUNCIL
CASH FLOW STATEMENT
For the year ended 31 March 2008

2006/07 £000	Notes		2007/08 £000	2007/08 £000
		Revenue Activities		
		Cash Outflows		
69,074		Cash paid to and on behalf of employees	72,228	
51,867		Other operating cash payments	58,640	
5,172		Housing Benefit paid out	6,120	
12,166		National non-domestic rate payments to national pool	10,877	
138,279				147,865
		Cash Inflows		
6,654		Rents (after rebates)	7,652	
19,821		Council Tax receipts	20,203	
17,876		National non-domestic rate receipts from national pool	18,147	
12,393		Non-domestic rate receipts	10,814	
52,059	35	Revenue Support Grant	54,312	
11,612	35	DSS grants for benefits	12,675	
14,026	35	Other government grants	20,650	
18,001		Cash received for goods and services	1,574	
2,165		Other operating cash receipts	4,586	
154,607				150,613
(16,328)	**35**	**Net Revenue Activities**		**(2,748)**
		Returns on Investments and Servicing of Finance		
		Cash Outflows		
5,866		Interest Paid		5,601
		Cash Inflows		
780		Interest received		778
5,086		**Net Servicing of Capital**		**4,823**
		Capital Activities		
		Cash Outflows		
3,367		Purchase of fixed assets	336	
26,722		Other capital cash payments	15,391	
30,089				15,727
		Cash Inflows		
5,187		Sale of fixed assets	3,284	
3,248		Capital grants received	3,503	
8,435				6,787
21,654		**Net Capital Activities**		**8,940**
		Acquisitions and disposals		
		Cash Outflows		
412		Investments in associates and joint ventures	0	
		Cash Inflows		
550		Sales of investments in associates and joint ventures	135	
(138)		**Net Acquisitions and disposals**		**(135)**
10,274		**NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING**		**10,880**
		Management of Liquid Resources		
(1,246)		Net increase/(decrease) in short term deposits		**(1,621)**
		Financing		
		Cash Outflows		
32,280		Repayments of amounts borrowed		258
		Cash Inflows		
(39,129)		New loans raised		(14,000)
(6,849)		**Net Financing**		**(13,742)**
2,180	**35**	**NET (INCREASE)/DECREASE IN CASH**		**(4,483)**

CLACKMANNANSHIRE COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS

1. 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 (£250,000)	Turnover	5,444	
	Expenditure	(5,033)	
	Surplus		411
	(Surplus 2005/06	241)	
	(Surplus 2006/07	82)	
	(Cumulative surplus over three years	**734)**	
Environmental & Engineering contracts carries out maintenance work on existing roads infrastructure together with construction of new projects including car parks and lighting schemes - the trading objective is to achieve the budgeted surplus(£80,000)	Turnover	2,524	
	Expenditure	(2,432)	
	Surplus		92
	(Surplus 2005/06	112)	
	(Surplus 2006/07	114)	
	(Cumulative surplus over three years	**318)**	
Net surplus on trading units:			503

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.

2. 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 2008 was £3.685m (2006/07 £3.277m), of which employer's contributions totalled £2.494m (2006/07 £2.209m) and employee's contributions totalled £1.191m (2006/07 £1.068m). The agreed contribution rates for future years are 13.5% from 2008/09 (2007/08: 13.5%) for employers and 6.4% (2007/08: 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 2007/08 these amounted to £0.439m representing 2.38% of pensionable pay (£0.403m, representing 2.28% of pensionable pay in 2006/07).

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.

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:

	2006/07 £000	2007/08 £000
Income and Expenditure Account		
Net Cost of Services		
• current service cost	(6,695)	(5,695)
• curtailments and settlements	(842)	(42)
• past service cost	1,570	(499)
Net Operating Expenditure		
• interest cost	(8,898)	(9,783)
• expected return on assets in the scheme	8,675	9,871
Net charge to the Income and Expenditure Account	(6,190)	(6,148)
Statement of Movement in the General Fund Balance		
• reversal of net charges made for retirement benefits in accordance with FRS 17	6,190	6,148
Actual amount charged against council tax for Pensions in the year:		
• employers' contributions payable to scheme	(5,130)	(5,322)

Assets and Liabilities in Relation to Retirement Benefits

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

	31 March 2008 £000s	31 March 2007 £000s	31 March 2006 £000s
Estimated liabilities in Scheme	(146,696)	(165,700)	(166,509)
Estimated liabilities arising from unfunded discretionary benefits	(12,245)	(13,731)	(13,437)
Estimated assets Scheme	136,280	137,447	127,319
Net asset/(liability)	**(22,661)**	**(41,984)**	(52,627)

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The liability of £23m 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.

Basis for Estimating Assets and Liabilities

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

The main assumptions used in their calculations have been: -

	2007/08	2006/07	2005/06
Rate of Inflation	3.6%	3.2%	3.1%
Rate of increase in salaries	5.1%	4.7%	4.8%
Rate of increase in pensions	3.6%	3.2%	3.1%
Rate for discounting scheme liabilities	6.9%	5.4%	4.9%

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

	Long Term Return March			31 March 2008	31 March 2007	31 March 2006
	2008	2007	2006			
Equity Investments	7.7%	7.8%	7.4%	72%	73%	73%
Bonds	5.7%	4.9%	4.6%	14%	14%	13%
Property	5.7%	5.8%	5.5%	10%	11%	11%
Cash	4.8%	4.9%	4.6%	4%	2%	3%
				100%	**100%**	**100%**

Actuarial Gains and Losses

The actuarial losses identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as percentage of assets or liabilities at 31 March 2008:

	2007/08 £000	%	2006/07 £000	%
Differences between the expected and actual return on assets	(13,643)	(10.0%)	(1,115)	(0.8%)
Differences between actuarial assumptions about liabilities and actual experience	1,132	0.7%	217	0.1%
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	32,660		12,601	
	20,149		11,703	

A History of Experience Gains and Losses is as follows:

	Year to 31 Mar 2008 £000	Year to 31 Mar 2007 £000	Year to 31Mar 2006 £000	Year to 31Mar 2005 £000	Year to 31Mar 2004 £000
Difference between the expected and actual return on assets	(13,643)	(1,115)	17,340	2,939	13,091
Value of Assets	136,280	137,447	127,319	97,533	87,205
Percentage of assets	**(10.0%)**	**(0.8%)**	**13.6%**	**3.0%**	**15.0%**
Experience Gains/ (Losses) on liabilities	1,132	217	172	2	161
Total Present Value of Liabilities	158,941	179,431	179,946	144,875	109,714
Percentage of the Total Present Value of Liabilities	**0.7%**	**0.1%**	**0.1%**	**0%**	**0.1%**
Actuarial Gains/ (Losses) recognised in STRGL	20,149	11,703	(2,629)	(23,641)	13,252
Total Present Value of Liabilities	158,941	179,431	179,946	144,875	109,714
Percentage of the Total present Value of Liabilities	**12.7%**	**6.5%**	**(1.5%)**	**(16.3%)**	**12.1%**

3. 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 £0.128m (2006/07 - £0.126m). This income is included in the Income and Expenditure Account.

4. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Under subsection (d) of the Act the Council carried out cleaning and other maintenance work at Alloa Fire Station on behalf of Central Scotland Fire Joint Board. Income from these services amounted to £13,319 in 2007/08 (2006/07 £13,658).

Roads and property maintenance work was carried out on behalf of Forth Valley College. Income from these services amounted to £9,572 in 2007/08 (2006/07 £27,348)

The first full year of an external catering contract with Scottish Borders Council amounted to £78,513 in 2007/08 (2006/07 £27,791).

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

- Central Scotland Police Joint Board – income 2007/08 £2,699 (2006/07 £3,652)
- Falkirk Council – income 2007/08 £2,967 (2006/07 £2,835)
- Stirling Council – income 2007/08 £232 (2006/07 £257)
- Forth Valley Primary Care NHS Trust – income 2007/08 £29,345 (2006/07 £24,922)
- Scottish Enterprise – Careers Service - income 2007/08 £3,870 (2006/07 £3,843)

5. Expenditure on Publicity

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

	2006/07 £000	2007/08 £000
Recruitment advertising	139	110
Other Publicity	106	123
Total	245	233

6. 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 2007/08 was £302,000 (2006/07 £370,000).

The authority was committed at 31st March 2008 to making payments of £208,000 under operating leases in 2008/09, comprising the following elements:

	Vehicles, Plant and Equipment £000
Leases expiring in 2008/09	93
Leases expiring between 2009/10 and 2013/14	115

7. 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 2007/08 £000	Expenditure 2007/08 £000
Integrated Mental Health Management	197	72
Skills Training	260	255
Mental Health Day Unit	512	513
	969	840
Clackmannanshire Council	47%	39%
NHS Forth Valley	53%	61%

8. Members' Allowances

The total amount paid in respect of members' allowances for 2007/08 was £402,000 (2006/07 - £205,000).

9. 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 2006/07	2007/08
£50,000 - £59,999	14	11
£60,000 - £69,999	2	6
£70,000 - £79,999	3	1
£80,000 - £89,999	1	1
	20	19

10. 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 £357,000 (2006/07 - £354,000). This payment includes a subsidy towards running of Alloa Leisure Bowl of £247,000 (2006/07 - £247,000). Expenditure is offset by loan repayments to the Council of £39,000 (2006/07 £29,000).

b) East of Scotland European Consortium

The Council is a partner in the above Consortium, and made a membership contribution of £7,000 (2006/07 £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 £2,000 (2006/07 £8,000). The Council received revenue and capital grants and contributions towards transportation projects during 2007/08 as follows:

- Grants for Capital Expenditure £127,000 (2006/07 £217,000)
- Grants for Revenue Expenditure Nil (2006/06 £25,000)
- Travel Plan/Round the Forth Grants £15,000 (2006/07 £3,000)

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 2007/08 was £144,000.

11. Audit Costs

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

	2006/07 £000	2007/08 £000
• Fixed fee payable to Audit Scotland	58	60
• Fee payable to Audit Scotland for external audit services	158	158
• Schools PPP Preliminary Opinion	15	0

12. Movements in Intangible Assets

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

	2006/07 £000	2007/08 £000
Cost at 1st April	482	662
Additions at Cost	180	274
Cost at 31st March	**662**	**936**
Accumulated Depreciation at 1st April	73	169
Depreciation charge for Year	96	132
Accumulated Depreciation at 31st March	**169**	**301**
Net Book Value at 1st April	409	493
Net Book Value at 31st March	**493**	**635**

13. Movement of Fixed Assets

	OPERATIONAL ASSETS				NON OPERATIONAL ASSETS			
	Council dwellings*	**Other Land and buildings**	**Vehicles plant, furniture & equipment**	**Infra-structure Assets**	**Investment Properties**	**Assets under Construct -ion**	**Surplus Assets**	**TOTAL**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation at 31st March 2007	155,839	111,328	7,058	17,604	15,636	2570	205	310,240
Accumulated depreciation and impairment	13,665	16,723	2,882	1,443			14	34,727
Net book Value of assets At 31st March 2007	**142,174**	**94,605**	**4,176**	**16,161**	**15,636**	**2,570**	**191**	**275,513**
Movements in 2007/08								
Additions at cost	9,197	2,907	1,418	3,689	1,642	17	0	18,870
Disposals	(2,853)	(90)	0	0	0	0	0	(2,943)
Transfer					1,323	(1,423)	100	
Depreciation	(6,723)	(12,085)	(871)	(293)			(2)	(19,974)
Net Book Value At 31st March 2008	**141,795**	**85,337**	**4,723**	**19,557**	**18,601**	**1,164**	**289**	**271,466**

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

14. Capital Expenditure and financing

	2006/07 £000	2007/08 £000
Capital Expenditure		
Operational Assets	19,194	17,210
Non-operational Assets	3,202	1,659
Intangible Assets	180	274
	22,576	**19,143**
Source of Finance		
Capital Receipts	4,071	3,284
Government Grants and other contributions	3,211	3,503
Borrowing	15,294	12,356
	22,576	**19,143**

15. 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.

16. Capital Expenditure

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

	£000	£000
Council Houses		9,288
General Services: -		
- Land & Access Roads for PPP School	151	
- DDA Compliance (Education Services)	16	
- Primary and Nursery School Development	469	
- Schools Alarm System	387	
- Schools Fund (Estate Strategy)	1,081	
- Muckhart Primary Heating Plant	119	
- Alloa Town Hall Development	24	
- Cochrane Hall Upgrading	11	
- Community Facilities Alva	18	
- Menstrie House En-Suite conversion	631	
- Menstrie House Extension and Telephone system	38	
- Westhaugh Travelling Peoples Site	194	
- Bridge Strengthening	449	
- Traffic Management	40	
- Flood Prevention	55	
- Roads & Footpaths Improvements	1,454	
- Cycling, Walking & Safer Streets	348	
- Street Lighting	49	
- Stirling/Alloa/Kincardine Rail Link	55	
- Black Devon landfill site	61	
- Contaminated Land	88	
- Public Transport & Walking	112	
- Cemeteries	56	
- Parks & Open Spaces	166	
- Gateways & Roundabouts	451	
- Alloa Town Centre	473	
- Alloa Heritage Initiative	127	
- Vehicles	503	
- Kilncraigs 1936 Building Envelop	49	
- Kilncraigs 1904 Building Upgrade	1,024	
- Pavilions Business Park	443	
- Greenfield Heating	119	
- Greenfield Driveway & Parking	38	
- DDA, Asbestos Removal & Other Property Enhancements	95	
- Finance & IT Hardware & Software	180	
- Various other capital projects	99	
		9,673
Items forming Fixed Assets (see Note 13)		**18,961**

Commitments Under Capital Contracts

The Council has approved £21.6m in 2008/09 under its capital programme, of which £2.2m has been contracted.

The contracts are as follows: -

	£000
Council Housing:	
- Kitchens	1,124
- Bathrooms	527
Roads roundabouts	216
Heating Control	89
Abercromby Nursery - Alterations	229
	2,185

17. Long Term Investments

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

	2007 £000	2007 £000	2008 £000	2008 £000
CSBP Clackmannanshire Investments Ltd (at cost)		158		158
CSBP Clackmannanshire Developments Ltd (at cost)		478		343
Apex Leisure (Management) Ltd (at cost)	200		200	
Less: Written off	(200)	-	(200)	-
		636		501

18. 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 2008 the company had net profits and net liabilities of £8,000 and £30,000 respectively. These figures have been incorporated in the Group Accounts.

The Councils 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 2008 the company had net profits and net assets of £16,000 and £619,000 respectively. The Councils 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 assets of £108,000 and £53,000 respectively. The Councils 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 2007/08 the Council contributed £4.187m or 15.8% of the Boards estimated running costs. The Boards net liabilities at 31 March 2008 were £249.302m 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 2007/08 the Council contributed £2.875m or 17.8% of the Boards estimated running costs. The Boards net liabilities at 31 March 2008 were £73.236m 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 2007/08 the Council contributed £398k or 15.4% of the Boards estimated running costs. The Boards net liabilities at 31 March 2008 were £1.954m 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

19. Long Term Debtors

	2007 £000	2008 £000
Loans to Employees	4	4
Loans to Subsidiary Companies: -		
Apex Leisure (Management) Limited	24	4
Business Development Loans	60	53
Other Loans: -		
Alloa Bowling Club	3	2
	91	63
Less Provision for bad debts (Business Development)	53	53
	38	10

20. Stocks and Work in Progress

	2007 £000	2008 £000
Stock		
Building Works	143	132
Roads - Salt	26	40
Roads - Lighting	17	21
Roads - Contracts	16	20
Waste Services	7	14
Vehicle Maintenance	50	97
Library Book Shop	27	23
Social Services	108	86
Catering	50	42
Cleaning	8	6
Corporate Gifts	3	4
Leisure Services	4	5
	459	490
Work in Progress		
Building Works	75	33
Total	534	523

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

		2007		2008
	£000	£000	£000	£000
Debtors				
Government Departments		2,588		1,771
Government and Other Grants		962		1,510
Community Charge	410		407	
Less Provision for bad debts	406		406	
		4		1
Council Tax	8,677		9,304	
Less Provision for bad debts	5,507		5,807	
		3,170		3,497
Housing Rents	1,306		1,344	
Less Provision for bad debts	653		591	
		653		753
Non Domestic Rates	2,404		2,670	
Less Provision for bad debts and appeals	2,025		2,209	
		379		461
Sundry Debtors	2,248		12,143	
Less Provision for bad debts	1,228		1,298	
		1,020		10,845
Salaries and Wages		65		52
Capital Payments		4,487		866
Loans Fund Interest		1		0
Total Current Debtors		**13,329**		**19,756**
Prepayments				
Operational Leases	270		219	
Other	43	313	42	261
Total Debtors and Prepayments		**13,642**		**20,017**

22. Borrowing

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

Source of Loan	Interest Rates payable (%)	Total Outstanding at 31 March 2007 £000	2008 £000
(a) Repayable within 12 months			
Public Works Loan Board	4.05% - 9.25%	74	0
Loan Authority Bonds	4.30% - 4.95%	94	0
Revenue Advances: -			
- Common Good & Trust Funds		482	548
- Central Scotland Valuation Joint Board		340	346
- Forth Valley Criminal Justice Authority		0	3
- East of Scotland European Consortium		17	27
		1,007	924
(b) Repayable after 12 months			
Public Works Loan Board	4.25% - 9.25%	75,704	91,027
Market Loans	3.4% - 4.15%	18,500	18,913
		94,204	109,940
(c) Analysis of Long Term Loans by Maturity			
Between 1 - 2 year		0	1
Between 2 - 5 years		2	2
Between 5 - 10 years		4	5
More than 10 years		94,198	109,932
		94,204	109,940

23. 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 2008	31st March 2007	31st March 2008	31st March 2007
	£000s	£000s	£000s	£000s
Borrowings				
Financial liabilities at amortised cost	110,183	0	0	0
Financial liabilities at fair value through income and expenditure	0	0	0	0
Other borrowing (Finance lease)	0	0	0	0
Total borrowings	**110,183**	**94,484**	**0**	**168**
Investments				
Loans and receivables	0	0	15,489	12,761
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**	**15,489**	**12,761**

NOTES.

1. Since the balances at 31.03.07 are not reclassified into the SORP 2007 categories, only the total borrowing and investment figures are shown in the table above.
2. 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

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

2007/08	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Fair value through P&L	Total
	£000s	£000s	£000s	£000s	£000s
Interest expense	0	0	0	0	0
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	**0**	**0**	**0**	**0**	**0**
Interest income	0	0	0	0	0
Gains on derecognition	0	0	0	0	0
Interest and investment income	**0**	**0**	**0**	**0**	**0**
Gains on revaluation			0	0	0
Losses on revaluation			0	0	0
Amounts recycled to the I&E account after impairment			0	0	0
Surplus arising on revaluation of financial assets			**0**	**0**	**0**
Net gain/(loss) for the year	**0**	**0**	**0**	**0**	**0**

Comparable figures are not available for 2006/07 due to the change in accounting standards.

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. Fair values as at 31March 2007 have not been calculated.

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 064/08.
- 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 2008		31st March 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
PWLB - maturity	90,984	108,662	75,736	
PWLB - annuity	43	63	42	
LOBOs	18,913	20,153	18,500	
Bonds	243	292	374	
Financial liabilities	**110,183**	**129,170**	**94,652**	**n/a**

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 2008		31st March 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Cash	5,843	5,815	10,306	
Deposits with banks and building societies	9,082	9,087	2,455	
Investments in subsidiaries	501	501	636	
Loans to small businesses and other orgs.	63	63	91	
Financial assets	**15,489**	**15,466**	**13,488**	**n/a**

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 is 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 polices and procedures covering specific areas such as credit risk, liquidity risk and market risk.

1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £10m.

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 2008	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2008	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
Deposits with banks and other financial institutions	14,925	0	0	0
Investments in subsidiaries	501	0	0	0
Loans to small businesses etc	10	50	50	0
Customers	7,152	n/a	n/a	1,298
Total	**22,588**			**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.

Debtors
The Council allow credit of 28 days for customers, such that £4.4m of the £7.2m 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 2008
	£000s
Less than three months	161
Three to six months	111
Six months to one year	2,577
More than one year	1,528
Total	**4,377**

During the year a sum of £62k was charges 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 meets 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

On 31 March 2008 £000s	Loans outstanding	On 31 March 2007 £000s
89,704	Public Works Loans Board	75,778
18,743	Market debt	18,780
0	Temporary borrowing	0
0	Local bonds	94
0	Deferred purchase	0
108,447	**Total**	**94,652**
40	Less than 1 year	205
44	Between 1 and 2 years	40
97	Between 2 and 5 years	140
70	Between 5 and 10 years	69
108,196	More than 10 years	94,198
108,447	**Total**	**94,652**

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 2008, 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	(289)
Increase in government grant receivable for financing costs	0
Impact on Income and Expenditure Account	**(195)**
Share of overall impact credited to the HRA	**(55)**
Decrease in fair value of 'available for sale' investment assets	0
Impact on STRGL	**0**
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	(20,153)
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	(27)

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.

24. Creditors (Amounts falling due within one year)

	2007 £000	2008 £000
Salaries and Wages	1,837	1,943
Housing Rent Prepayments	37	130
Rates	200	219
Revenues	81	836
Government Grants	2,388	5,304
Borrowing Expenses	1,307	0
Capital Payments	201	209
Sundry Creditors	13,222	10,266
	19,273	18,907

25. Provisions

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

Equal Pay
The Council has received a number of claims of historic pay from specific groups of staff. A considerable number of settlements were made during 2007/08, but the provision has been amended to reflect those claims still outstanding together with an allowance for a further full years payments to cover the estimated cost to the Council to date.

	Early Retirement 2008 £000	Equal Pay 2008 £000	Total 2008 £000
Balance as at 1 April 2007	80	928	1,008
Paid during the year	(80)	(377)	(457)
Arising during year	53	405	458
Balance at 31 March	**53**	**956**	**1,009**

26. 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

	2007 £000	2008 £000
Developer contributions	589	609
European Investment Bank	280	243
	869	**852**

27. 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

	2007 £000	2008 £000
Balance as at 1 April	409	3,603
Grants released during year	(16)	(92)
Grants received during the year	3,210	3,503
Balance at 31 March	3,603	**7,014**

28. 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.

	2007 £000	2008 £000
Balance as at 1 April	1,016	1,243
Allocated to Schools during year	(572)	(860)
Contributions added to fund during the year	799	533
Balance at 31 March	1,243	**916**

29. Analysis of Net Assets Employed

	2007 £000	2008 £000
General Fund	25,760	33,638
Housing Revenue Account	119,670	115,474
Trading Operations	(4,421)	(2,304)
Total	141,009	146,808

30. Contingent Liabilities

Equal Pay

The Council has received claims of historic pay inequality from specific groups of staff, particularly in catering, cleaning and homecare. Note 25 includes details of the provision in respect of employees identified so far. It remains a possiblity that the Council may become liable for further claims in the future, but at this time there is uncertainty both surrounding the likely timescale involved and the potential level of settlement.

Single Status

The Council continues to work towards implementation of the single status agreement for its employees. There is still no agreement concluded and the effective implementation date is now December 2008. £1.2m has been earmarked from reserves as at 31st March 2008. A further £800k has been budgeted to be set aside during financial year 2008/09.

31. 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 2007/08 a net surplus was generated by claims on the policy excesses being below this ceiling of £80,000 (2006/07- £89,000 deficit)

	2006/07 £000	2007/08 £000
Opening Balance	551	489
Net Surplus/(deficit) (as above)	(89)	80
Interest Received etc	27	27
Closing Balance	489	**596**

32. 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.

Reserve	Balance 1 April 2007 £000	Net Movement in Year £000	Balance 31 March 2008 £000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	0	0	0	Store of gains on revaluation of fixed assets not yet realised through sales	
Capital Adjustment Account	173,988	(15,700)	158,288	Store of capital resources set aside to meet past expenditure	(a) below
Financial Instruments Adjustment Account	0	(4,757)	(4,757)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	(b) below
Capital Receipts Reserve	3,248	(33)	3,215	Proceeds of fixed asset sales available to meet future capital investment	(c) below
Pensions Reserve	(41,984)	19,323	(22,661)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 2 to the Core Financial Statements and (d) below
General Fund	3,758	1,013	4,771	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance
Housing Revenue Account	6,417	939	7,356	Resources available to meet future running costs for council housing	HRA Statements
Insurance Fund	489	107	596	Resources to provide an element of self-insurance	Note 31 to the Core Financial Statements
Total	**145,916**	**892**	**146,808**		

(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	(20,353)
Disposals	(2,943)
Depreciation written off on disposals	379
Capital Receipts	3,284
Amortisations	(132)
Principal repayments	3,973
Deferred Government Grant release	92
	(15,700)

(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
Transfer of premiums to new reserve account	(4,907)
Release of premiums in year	313
Adjustment for difference in interest on loans at amortised cost	(102)
Increase in carrying value of LOBO loans	(61)
	(4,757)

(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
associated costs of proposed sales	**33**

(d) Pensions Reserve

The movement in this reserve can be summarised as follows:

	£000
Appropriations (to)/ from revenue	(826)
Actuarial gains and losses relating to pensions	20,149
	19,323

33. Events after the Balance Sheet Date

There are no events that occurred between 1st April 2008 and 30th September 2008 that would have an impact on the 2007/08 Accounts.

34. Notes Relating to the Cash Flow Statement

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

2006/07 £000		2007/08 £000	2007/08 £000
10,721	Net deficit per Income and Expenditure Account		14,255
	Increase Surplus for Items Accounted for elsewhere within Cash Flow Statement		
(7,004)	- Interest Repayments included in Servicing of Finance	(6,380)	
(313)	- Amortisation of Premiums	(313)	
2,165	- Interest on Revenue Balances included in Servicing of Finance	1,602	
138	- Movements in Investments in Joint Ventures	(135)	
(5,014)			(5,226)
5,707			9,029
	Adjust Surplus for Internal Items not involving the movement of cash		
	Transfers (to)/from funds/provisions		
510	- Equal pay provision		
357	- Restructuring Provision	(19)	(19)
6,574			9,010
	Adjust for Movements in Working Capital		
(79)	- Increase (decrease) in Stocks and Work in Progress	(11)	
(8,163)	- Increase (decrease) in Debtors	9,751	
(579)	- (Increase) decrease in Creditors	(785)	
(8,821)			8,955
(2,247)			17,965
(14,081)	Adjust for Movements per Statement on the General Fund Balance (amounts included in I & E but required by statute to be excluded)		(20,713)
(16,328)	**Revenue Activities Net Cash (Inflow)**		**(2,748)**

Movements in Cash

2006/07 Decrease £000		1.4.07 £000	31.3.08 £000	2007/08 (Increase) £000
2,180	Cash in Hand and at Bank	227	4,710	(4,483)

Government Grant

2006/07 £000			2007/08 £000
52,059	Revenue Support Grant		54,312
11,612	DSS Grants for Benefits		12,675
	Other Government Grants:		
191	- Communities Scotland (Regeneration Outcome Agreement)	231	
2,227	- National Priorities Action Fund	2,552	
356	- Probationers	602	
161	- Area Management Boards	0	
457	- Additional Financial Resources	0	
195	- Determined to Succeed	213	
230	- Education Maintenance Allowance	255	
0	- SEFV	162	
0	- Glow Capital	136	
0	- SAK / Capital Grants	4,964	
133	- NEET funding	658	
122	- Active Schools	149	
418	- NOF Sport	47	
509	- Changing Children's Services Fund	307	
3,252	- Supporting People	4,244	
382	- Housing Condition Survey	595	
658	- Homelessness Strategy	887	
198	- Fostering Placements	52	
836	- Criminal Justice	907	
91	- Mental Illness	111	
806	- Community Regeneration Fund	1,663	
371	- Benefits Administration Grant	0	
185	- SAFE funding	0	
1,964	- Various other grants	1,629	
14,026			20,650
77,697			87,637

CLACKMANNANSHIRE COUNCIL

HRA INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2008

2006/07 £000		2007/08 £000	2007/08 £000
	Income		
(12,165)	Dwelling rents	(12,402)	
(58)	Non-dwelling rents	(59)	
(7)	Other Income	(4)	
(12,230)	**Total Income**		(12,465)
	Expenditure		
4,810	Repairs and maintenance	4,646	
3,790	Supervision and management	3,537	
6,886	Depreciation and impairment of fixed assets	7,102	
412	Other expenditure	295	
246	Increase in bad debt provision	65	
16,144	**Total Expenditure**		**15,645**
3,914	**Net Cost of HRA Services per Authority Income and Expenditure Account**		**3,180**
285	HRA services share of Corporate and Democratic Core		396
4,199	**Net Cost of HRA Services**		**3,576**
(3,221)	(Gain) on sale of HRA fixed assets		(515)
1,780	Interest payable and similar charges		1,812
81	Amortisation of premiums and discounts		89
(316)	Interest and investment income		(398)
13	Pensions interest cost and expected return on pension assets		(5)
2,536	**Deficit for the year on HRA Services**		**4,559**

CLACKMANNANSHIRE COUNCIL

STATEMENT OF MOVEMENT ON THE HRA BALANCE
For the year ended 31 March 2008

2006/07 £000		2007/08 £000
2,536	Deficit for the year on the HRA Income and Expenditure Account	4,559
(2,883)	Net additional amount required by statute to be (credited) to the HRA Balance for the year	(5,498)
(347)	(Increase) in the Housing Revenue Account Balance	(939)
(6,070)	Housing Revenue Account surplus brought forward	(6,417)
(6,417)	Housing Revenue Account surplus carried forward	(7,356)

CLACKMANNANSHIRE COUNCIL

Note to the Statement of Movement on the HRA Balance

2006/07 £000		2007/08 £000	2007/08 £000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
(6,886)	Depreciation and impairment of fixed assets	(7,102)	
3,221	Gain or loss on sale of HRA fixed assets	515	
(403)	Net charges made for retirement benefits in accordance with FRS 17	(322)	
(4,068)			**(6,909)**
	Employer's contribution payable to the Falkirk Pension Fund and retirement benefits payable direct to pensioners		
264	Employer's contribution payable to the Falkirk Pension Fund and retirement benefits payable direct to pensioners		291
921	Loans fund principal		1,120
(2,883)	**Net additional amount required to be credited to the General Fund balance for the year**		**(5,498)**

CLACKMANNANSHIRE COUNCIL

NOTES TO HOUSING REVENUE ACCOUNT

1. Bad Debt Provision

In 2007/08 the provision for bad debt in respect of rent arrears and invoices for housing repairs is £1,394,673 (2006/07 £1,449,241).

During 2007-08 write offs to this provision was £119,338 (2006/07 £74,134).

The provision for rent arrears is £590,558 (2006-07 £652,635) with the provision for repairs invoices being £804,115(2006/07 £796,606).

2. Rent Arrears

Rent arrears decreased during the year by £72,175, to a total of £839,392. As a percentage of gross rental income the arrears represent 6.8% (2006/07 – 7.4%), which is equivalent to £166 (2006/07 - £177) per house.

3. Housing Stock

The stock of houses at 31 March 2008 was 5,060 (31 March 2007 - 5,148). The types of apartments are detailed in the following categories:

	Number	**Previous Year**
One apartment	40	40
Two apartments	1,308	1,314
Three apartments	2,292	2,338
Four apartments	1,275	1,315
Five apartments	143	139
Six apartments	2	2
	5,060	5,148

CLACKMANNANSHIRE COUNCIL

COUNCIL TAX INCOME ACCOUNT
For the year ended 31 March 2008

2006/07 £000		2007/08 £000	2007/08 £000
(23,339)	**Total Charges Levied**		**(24,304)**
	Deduct:-		
688	Exemptions		722
2,210	Discounts		2,374
	Council Tax Rebates	3,305	
(53)	Less: Government Grant	(3,314)	(9)
29	Relief (Persons with a Disability)		32
528	Provision for bad and doubtful debts		300
(3)	Other Adjustments		(1)
(19,940)	**Income from Council Tax**		**(20,886)**
	Add:-		
(2)	Community Charge Arrears Recovered		(3)
(19,942)	**Net Local Council Tax Income transferred to General Fund**		**(20,889)**

CLACKMANNANSHIRE COUNCIL

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. CALCULATION OF THE COUNCIL TAX CHARGE BASE 2007/08

	Valuation Band									
	A (Disabled relief)	A	B	C	D	E	F	G	H	Total
Total number of dwellings	0	6,365	7,085	1,836	2,325	3,020	1,622	729	42	23,024
Less exempt dwellings	0	(288)	(190)	(50)	(38)	(31)	(14)	(10)	(6)	(627)
Disabled reduction	22	16	(21)	6	19	(32)	(6)	(4)	0	0
Less adjustment for single discounts	(3)	(845)	(788)	(220)	(194)	(158)	(69)	(27)	(0)	(2,304)
Less adjustment for double discounts	0	(76)	(63)	(30)	(20)	(22)	(15)	(6)	(1)	(233)
Effective number of dwellings	19	5,172	6,023	1,542	2,092	2,777	1,518	682	35	19,860
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	3,448	4,685	1,371	2,092	3,394	2,193	1,137	70	18,401

Less provision for non-collection 3.0%	552
COUNCIL TAX BASE 2007/08 (equivalent to a Council Tax of £1,148)	**17,849**

The product of the council tax base and the equivalent council tax charge give a budget for current year council tax income of £20.491m.

2. COUNCIL TAX PROPERTIES AND COUNCIL TAX CHARGES

Valuation Band	Property Valuation Range	Effective Number of Dwellings	Total Council Tax Charge
			£
A (Disabled Relief)		19	637.78
A	£0 - £27,000	5,172	765.33
B	£27,001 - £35,000	6,023	892.89
C	£35,001 - £45,000	1,542	1,020.44
D	£45,001 - £58,000	2,092	1,148.00
E	£58,001 - £80,000	2,777	1,403.11
F	£80,001 - £106,000	1,518	1,658.22
G	£106,001 - £212,000	682	1,913.33
H	Over £212,000	35	2,296.00
		19,860	

CLACKMANNANSHIRE COUNCIL

NON-DOMESTIC RATE INCOME ACCOUNT
For the year ended 31 March 2008

2006/07 £000		2007/08 £000	2007/08 £000
(14,164)	Gross Rates Levy		(13,713)
137	Transitional Adjustment		73
(85)	Large property Supplement		(62)
(14,112)	**Rates Levied and Contributions in lieu**		**(13,702)**
	Deduct: Reliefs, Remissions, etc.		
333	Rating (Disabled Persons) Relief		306
	Other Reliefs:-		
243	- Small Business Relief	240	
479	- Mandatory Relief	470	
76	- Discretionary Relief	79	
85	- Sports Club Relief	90	
1	- Rural Relief	1	
884			880
626	Voids and Empty Periods		539
120	Provision Against Doubtful Debts		180
(12,149)	**Total for current year**		**(11,797)**
(61)	Previous Years Charge Decrease (Increase)		922
62	Adjustments for Reliefs, Remissions etc		(5)
1	Payment of Interest		19
0	Provision Against Doubtful Debts		4
2	**Total for previous years**		**940**
(12,147)	**Net Non-Domestic Rate Income**		**(10,857)**
(19)	add back :- 25% Discretionary Reliefs not offset for Pool Contribution		(20)
(12,166)	**Income for Contribution to Non-Domestic Rate Pool**		**(10,877)**
12,166	Contribution to National Non-Domestic Rate Pool	10,877	
(17,876)	Distribution from National Non-Domestic Rate Pool	(18,147)	
(5,710)	Gain from National Pool		(7,270)
(17,876)	**Net Non-Domestic Rate Income transferred to General Fund**		**(18,147)**

CLACKMANNANSHIRE COUNCIL

NOTES TO THE NON-DOMESTIC RATE ACCOUNT

1. RATE POUNDAGES LEVIED

	2006/07 p	2007/08 p
National Non-Domestic Rate	44.9	44.1
small business relief supplement – properties valued > £29,000	0.4	0.3

2. CLACKMANNANSHIRE RATEABLE VALUES

	as at 1 April 2006 £000	as at 1 April 2007 £000
Commercial	12,279	12,923
Industrial	12,570	13,304
Miscellaneous	6,313	6,754
Total	31,162	32,981

3. NUMBER OF PREMISES

	as at 1 April 2007	as at 1 April 2008
Commercial	882	884
Industrial	280	323
Miscellaneous	329	356
Total	1,491	1,563

COMMON GOOD AND CHARITABLE TRUSTS

INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2008

2006/07 £000		2007/08 £000
	Expenditure	
3	Beneficiaries	2
	Income	
(12)	Interest	(14)
(9)	**Surplus**	**(12)**

COMMON GOODAND CHARITABLE TRUSTS
BALANCE SHEET
For the year ended 31 March 2008

2006/07		**2007/08**
	Current Assets	
260	Investments	272
260	**Total Assets Less Liabilities**	**272**
260	**Common Good Fund**	**272**

CLACKMANNANSHIRE COUNCIL

NOTES TO COMMON GOOD AND CHARITABLE TRUSTS ACCOUNT

Common Good and Charitable Trusts

The Council acts as sole trustee for 8 charitable trusts and endowments. In addition the Council administers the Common Good Account for towns within the county.

Principal Funds at 31st March

	2007 £000	2008 £000
Common Good	7	7
Clackmannan District Charitable Trust	31	32
Alloa Day Home Trust	156	164
Clackmannanshire Educational Trust	31	32
William M Duncanson Legacy	9	9
J Thomas Patons Endowment Fund	11	11
Robert Jeffrey's Legacy	2	2
Mrs Elizabeth McNair's Legacy	1	2
War Memorial Trust Fund	12	13
	283	**295**

CLACKMANNANSHIRE COUNCIL

GROUP INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2008

2006/07 Net Expend £000	Services	2007/08 Gross Expenditure £000	2007/08 Gross Income £000	2007/08 Net Expenditure £000
720	Central Services to the public	1,911	(715)	1,196
6,830	Cultural and Related Leisure Services	11,240	(4,561)	6,679
5,421	Environmental Services	7,339	(1,416)	5,923
1,809	Planning & Development Services	2,034	(710)	1,324
49,713	Education services	57,620	(7,359)	50,261
3,616	Highways, roads and transport services	22,834	(19,232)	3,602
3,906	Local authority housing (HRA)	15,645	(12,465)	3,180
682	Other housing services	19,854	(19,202)	652
20,533	Social work	32,337	(9,435)	22,902
2,036	Corporate and democratic core	2,391	(51)	2,340
(728)	Non distributed costs	541	0	541
94,538	**Net Cost of Council Provided Services**	**173,746**	**(75,146)**	**98,600**
	Requisitions from Joint Boards:			
3,926	- Police	4,187		4,187
2,759	- Fire	2,875		2,875
379	- Valuation	398		398
7,064		**7,460**		**7,460**
101,602	**Net Cost of General Services**	**181,206**	**(75,146)**	**106,060**
1,790	Share of Operating Results of Associates	14,446	(13,256)	1,190
	Share of Operating Results of Joint Ventures:			
(1,323)	- Turnover		(19)	(19)
1,073	- Other Operating Income & Expenditure	14		14
103,142	**Net Cost of Services**	**195,666**	**(88,421)**	**107,245**
(6,567)	Profit on the disposal of fixed assets			(715)
(50)	Surpluses on Trading Operations not included in Net Cost of Services			(245)
7,100	Interest payable			6,493
245	Share of Interest Payable of Associates & Joint Ventures			266
(2,166)	Interest and Investment Income			(1,602)
(49)	Share of Interest Receivable of Associates & Joint Ventures			(44)
223	Pension interest cost and expected return on pension assets			3,728
3,437	Share of Pension interest cost and expected return on pension assets of Associates			(88)
67	Taxation of Group Entities			(27)
105,382	**Net Expenditure**			**115,011**
	Financed By:			
(51,623)	Revenue Support Grant			(56,617)
(17,876)	Non Domestic Rates – Distribution from National Pool			(18,147)
(19,942)	Council Tax and Community Charge			(20,889)
(89,441)				**(95,653)**
15,941	**Deficit for the year**			**19,358**

CLACKMANNANSHIRE COUNCIL

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

2006/07 £000		2007/08 £000
10,783	Deficit for the year on the Authority Income and Expenditure Account	14,255
	(Surplus)/deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions)	
(81)	Subsidiaries	(18)
5,396	Associates	5,074
(157)	Joint Ventures	47
15,941	**Deficit for the year on the Group Income and Expenditure Account**	**19,358**

CLACKMANNANSHIRE COUNCIL

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2008

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.

2006/07 £000		2007/08 £000
15,941	Deficit for the year on the Income and Expenditure Account	19,358
3,780	(Surplus) deficit arising on revaluation of fixed assets	(1,036)
0	Premiums and discounts transferred to FIAA	4,907
0	Change in Financial Instruments carrying value	62
0	Costs applied to capital receipts reserve	33
(32,868)	Actuarial (gains)/losses on pension fund assets and liabilities	(36,632)
(13,147)	**Total recognised gains for the year**	**(13,308)**

CLACKMANNANSHIRE COUNCIL
GROUP BALANCE SHEET
For the year ended 31 March 2008

31 March 2007			31 March 2008	31 March 2008
£000			£000	£000
493	**Intangible Assets**			635
	Tangible Fixed Assets			
	Operational Assets:			
142,174	council dwellings			141,795
94,605	other land and buildings			85,337
4,184	vehicles, plant, furniture and equipment			4,735
16,161	infrastructure assets			19,557
	Non-Operational Assets:			
15,636	investment properties			18,601
2,570	assets under construction			1,164
191	Surplus assets held for disposal			289
276,014	**Total intangible and fixed assets**			272,113
4,907	Loans Premium Account			0
636	Long-term investments			501
5,227	Investments in associates			6,128
1,524	Investments in Joint Ventures – Gross Assets		1,673	
(1,143)	- Gross Liabilities		(1,336)	337
67	Long-term debtors		59	
(53)	less provision for bad debts		(53)	
				6
287,179	**Total long-term assets**			279,085
	Current assets			
544	Stocks and work in progress		530	
23,479	Debtors	30,332		
(9,819)	Less provision for bad debts	(10,311)		
			20,021	
11,874	Investments		10,253	
332	Cash and bank		4,825	
				35,629
313,607	**Total assets**			314,714
	Current Liabilities			
(1,007)	Short Term Borrowing		(924)	
(19,447)	Creditors		(19,071)	
				(19,995)
293,153	**Total assets less current liabilities**			294,719
	Long-term liabilities			
(94,204)	Long Term Borrowing		(109,940)	
(1,008	Provisions		(1,009)	
(3,603)	Government grants deferred		(7,014)	
(869)	Deferred liabilities		(852)	
				(118,815)
193,469	**Total assets less liabilities excluding pension liability**			175,904
(112,215)	Liability related to defined benefit pension scheme			(81,342)
81,254	**Total assets less liabilities**			**94,562**
	Financed by:			
173,985	Capital Adjustment Account			162,499
4,482	Revaluation Reserve			1,153
0	Financial Instruments Adjustment Account			(4,757)
3,433	Capital Receipts Reserve			3,225
(112,215)	Pensions reserve			(81,342)
496	Earmarked reserve – Insurance fund			596
3,758	General fund balance			4,771
6,417	Housing Revenue Account			7,356
898	Other Reserves			1,061
81,254	**Group Balances and Reserves**			**94,562**

The unaudited accounts were issued on 19th June 2008 and the audited accounts were authorised for issue on 30th September 2008.

Muir S Wilson, B.A. FCCA
Head of Finance
30th September 2008

CLACKMANNANSHIRE COUNCIL

GROUP CASH FLOW STATEMENT
For the year ended 31 March 2008

2006/07 £000		2007/08 £000	2007/08 £000	
(16,409)	**Net Cash (Inflow) from Revenue Activities**		(2,769)	**(9,35**
	Returns on Investments and Servicing of Finance			
5,874	- Interest Paid	5,607		
(781)	- Interest Received	(781)	4,826	
3	**Taxation**		(2)	
	Capital Expenditure and Financial Investment			
3,373	- Purchase of fixed assets	11		
26,722	- Other capital cash payments	15,726		
(5,187)	- Sale of fixed assets	(3,284)		
(3,248)	- Capital grants received	(3,503)	8,950	
	Acquisitions and Disposals			
412	- Investments in associates and joint ventures		0	
(550)	- Sales of investments in associates and joint ventures		(135)	
10,209	**NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING**		**10,870**	
	Management of Liquid Resources			
(1,245)	- Net increase/(decrease) in short- term deposits		(1,621)	
	Financing			
32,280	- Repayments of amounts borrowed	258		
(39,129)	- New loans raised	(14,000)		
			(13,742)	
2,115	**NET (INCREASE)/DECREASE IN CASH**		**(4,493)**	

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 2008, with the only exception being in respect of Apex Leisure (Management) Limited which reported to 30th September 2007. In this instance, interim statements have been prepared by the company to 31st March 2008 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 8 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.

	2006/07	**Police**	**Fire**	**Valuation**	**Total 2007/08**
	£000	**£000**	**£000**	**£000**	**£000**
Turnover	12,492	9,637	3,217	409	13,263
Fixed Assets	8,689	5,565	4,105	20	9,690
Current Assets	1,434	769	761	66	1,596
Liabilities due within one year	(793)	(727)	(183)	(42)	(952)
Liabilities due after one year or more	(74,307)	(44,996)	(17,719)	(171)	(62,886)

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

	2006/07 £000	**2007/08** **£000**
Turnover	1,273	19
Profit / (loss) before tax	192	(1)
Taxation	60	(9)
Fixed Assets	0	0
Current Assets	607	504
Liabilities due within one year	(305)	(194)
Liabilities due after one year or more	0	0

CSBP Clackmannanshire Development Company

	2006/07 £000	**2007/08** **£000**
Turnover	50	0
Profit / (loss) before tax	27	(63)
Taxation	4	(9)
Fixed Assets	0	0
Current Assets	917	1,169
Liabilities due within one year	(837)	(1,142)
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 £52.246m . 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 2008 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	(146,696)	(3,363)	(870)	(1,596)
Estimated liabilities in Police Pension Scheme		(42,313)		
Estimated liabilities in Firefighters Pension Scheme			(16,002)	
Estimated liabilities arising from unfunded discretionary benefits	(12,245)	(33)		(31)
Estimated assets in Local Government Pension Scheme	136,280	3,281	790	1,456
Net asset/(liability)	**(22,661)**	**(42,428)**	**(16,082)**	**(171)**

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 £10k.

The overall net deficit for the year of £19.358m can be reconciled to the operating activities net cash inflow of £2.769m as follows:

2006/07 £000		2007/08 £000	2007/08 £000
15,941	**Deficit for the Year per Group Income and Expenditure Account**		**19,358**
(4,841)	**Decrease in General Fund Balance for the year not included in Cash Flow as not subsidiary**		(5,077)
	Items on an Accruals Basis		
(66)	Decrease in Stocks	(14)	
(8,199)	(Increase)/decrease in Debtors	9,718	
(515)	Increase in Creditors	(638)	9,066
	Non Cash Transactions		
(14,143)	Adjustments not involving movement of funds	(20,864)	
(5,453)	Contributions to Capital	(5,233)	
867	Contributions to Provisions	(19)	(26,116)
(16,409)	**Net Cash inflow from Revenue Operations**		**(2,769)**

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

We certify that we have audited the financial statements of Clackmannanshire Council and its group for the year ended 31 March 2008 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, 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 2007 - A Statement of Recommended Practice (the 2007 SORP) are set out in the Statement of Responsibilities for the financial statements.

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

We report our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP the financial position of the local authority and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

We also report to you if, in our opinion, the local government body 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 Internal 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 local government body's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory 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 local authority'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:

- present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of Clackmannanshire Council and its group as at 31 March 2008 and its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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

30 September 2008