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19 November 2009

NOTICE OF MEETING

A meeting of **ARGYLL AND BUTE COUNCIL** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 26 NOVEMBER 2009** at **1:30 PM**, which you are requested to attend.

Nigel Stewart
Director of Corporate Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST**
3. **MINUTES**
Argyll and Bute Council 1 October 2009 (Pages 1 - 4)
4. **AUDIT OF ACCOUNTS 2008/2009: MEMBERS LETTER/AUDIT OF ACCOUNTS AND CERTIFIED ACCOUNTS**
Report by Head of Strategic Finance (Pages 5 - 106)
5. **ARGYLL AND BUTE COMMUNITY PLAN 2009-2013**
The Community Plan 2009-2013 (to follow) and;
Report by Chief Executive (Pages 107 - 108)
6. **COUNCIL'S MODERNISATION PROGRAMME**
Report by Chief Executive (to follow)
7. **PROCESS FOR CHANGE**
Report by Director of Corporate Services (to follow)
8. **LOCH FYNE INTEGRATED COASTAL ZONE MANAGEMENT PLAN**
Recommendation by the Executive 19 November 2009 (to follow)
Report by Director of Development Services (Pages 109 - 114)

COUNCIL

ALL MEMBERS

Contact: Sandra McGlynn Tel: 01546 604401

**MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on THURSDAY, 1 OCTOBER 2009**

Present:

Provost William Petrie (Chair)

Councillor Chalmers	Councillor MacMillan
Councillor Colville	Councillor McNaughton
Councillor Currie	Councillor McQueen
Councillor Dance	Councillor Marshall
Councillor Devon	Councillor Morton
Councillor Freeman	Councillor Mulvaney
Councillor Horn	Councillor Nisbet
Councillor Donald Kelly	Councillor Philand
Councillor MacAlister	Councillor Reay
Councillor McCuish	Councillor Robertson
Councillor Macdonald	Councillor Semple
Councillor McIntosh	Councillor Simon
Councillor D MacIntyre	Councillor Strong
Councillor R Macintyre	Councillor Walsh
Councillor Mackay	

Attending:

Sally Loudon, Chief Executive
Douglas Hendry, Director of Community Services
Andy Law, Director of Operational Services
Charles Reppke, Head of Democratic Services & Governance
Bruce West, Head of Strategic Finance

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillors Hay, Daniel Kelly, Kinniburgh, McAlpine, Robb and Scoullar.

2. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

3. MINUTES

The Council approved the Minutes of the Council Meeting of 6 August 2009 as a correct record subject to an amendment at item 5 (**Charles and Barbara Tyre Trust**) at decision 1 delete the words "did not wish" and insert the words "was unable".

4. CONSTITUTION - PART D & E, CONTRACT STANDING ORDERS AND FINANCIAL AND SECURITY REGULATIONS

Decisions taken by the Council on 22 May and 25 June 2009 completed the review of the Council's political management arrangements. At the latter meeting the Council agreed that consequent and other revisions to the Constitution should be brought to the Council in tranches over the remainder of this year. Parts A, B and C of the Constitution were approved at the Council Meeting on 6 August 2009. A report presenting Parts D and

E of the Constitution was considered.

Decision

Agreed to adopt Parts D and E of the Constitution as attached to the report by the Director of Corporate Services, and to note that further refinements to the contract standing orders will be reported back to the Council in due course.

(Ref: Report by Director of Corporate Services dated 24 September 2009, submitted)

5. PROCUREMENT OF LARGE CAPITAL PROJECTS

The Council considered a recommendation by the Organisational Development Policy and Performance Group which sought approval that, where possible, managers of large scale, significant capital projects should hold Prince2 accreditation.

Decision

Agreed that managers of large scale, significant capital projects should hold Prince2 accreditation.

(Ref: Recommendation by Organisational Development Policy and Performance Group, submitted)

6. REQUIREMENT TO INCREASE THE LEVEL OF HOMELESS PRIORITY NEED DETERMINATIONS

The Council considered a recommendation by the Executive which sought approval to expand the Homeless Priority Need categories to include all young people aged 16-25 with immediate effect and people in tied accommodation who lose employment to be implemented from 1 April 2010.

Decision

Agreed that the Homeless Priority Need categories be expanded to include all young people aged 16-25 with immediate effect and people in tied accommodation who lose employment to be implemented from 1 April 2010.

(Ref: Recommendation by the Executive of 20 August 2009, submitted)

7. REVIEW OF THE SCHEME OF COMMUNITY COUNCILS

The Council considered a recommendation by the Executive which sought approval that £70,000 be taken from unallocated reserves for the conduct of Community Council elections in the current financial year and for Community Council by-elections in the current and future financial years.

Decision

Agreed that £70,000 be taken from unallocated reserves for:-

- a) the conduct of Community Council elections in the current financial year; and
- b) Community Council by-elections in the current and future financial years.

(Ref: Recommendation by the Executive of 20 August 2009, submitted)

8. ANNUAL REPORT BY THE AUDIT COMMITTEE 2008-2009

The Council considered a recommendation by the Audit Committee which sought approval of the contents of the Annual Report 2008-2009.

Decision

Noted the content of the Audit Committee's Annual Report for 2008-2009.

(Ref: Recommendation by the Audit Committee of 18 September 2009, submitted)

9. BEVIN BOYS MINERS PERMANENT MEMORIAL CAMPAIGN

The Council considered a request from the Chairman, The Hon Joan Taylor, MBE of the Bevin Boys Miners Permanent Memorial Campaign seeking a donation from the Council towards a Memorial Fund. The aim of the campaign is to fund a permanent Bevin Boys Miners Memorial to be sited within the grounds of the National Memorial Arboretum in Staffordshire.

Motion

Refer the request to the Provost.

Moved by Councillor Walsh, seconded by Councillor Ellen Morton.

Amendment

Decline the request to make a donation to the campaign.

Moved by Councillor Bruce Marshall, seconded by Councillor Anne Horn.

Decision

The Motion was carried by a substantial majority and accordingly became the finding of the Council.

(Ref: Report by Director of Corporate Services dated 18 September 2009, submitted)

10. TOBACCO AND PRIMARY MEDICAL SERVICES BILL

The Council considered a report which asked the Council to confirm their position in principle in relation to the proposals made in the Tobacco and Primary Medical Services (Scotland) Bill.

Motion

The Council supports the proposals made in the Bill.

Moved by Councillor Dick Walsh, seconded by Councillor Vivien Dance.

Amendment

The Council does not support the proposals made in the Bill.

Moved by Councillor Robin Currie, seconded by Councillor Gary Mulvaney.

Decision

The Motion was carried by a substantial majority and accordingly became the finding of the Council.

(Ref: Report by Director of Corporate Services and letter from Scottish Coalition on Tobacco, submitted)

AUDITED ACCOUNTS 2008/2009 AND EXTERNAL AUDIT REPORT

1 INTRODUCTION

- 1.1 The external auditors, Grant Thornton UK LLP, have completed their audit of the Council's accounts for the year to 31 March 2009. The audited accounts incorporating the audit certificate and the external audit report for 2008-2009 are attached. The audit certificate contains no qualifications. The external audit report highlights key issues for attention of members.

2 RECOMMENDATION

- 2.1 The audited accounts, the terms of the audit certificate and the external audit report are noted.
- 2.2 To note the Audit Committee will monitor the action plans agreed in response to individual audit reports that have been issued during the year.

3. DETAILS

- 3.1 The audited accounts including the audit certificate and the external audit report for the 2008-09 audit are attached.
- 3.2 The accounts were completed and submitted by the statutory date of 30 June 2009. The audit has been completed within the timescale of 30 September 2009, set by Audit Scotland.
- 3.3 The audit certificate on the Council's accounts for the year ended 31 March 2009 contains no qualification. External audit are able to conclude that the Council's accounts present a true and fair view of its financial position as at 31 March 2009.
- 3.4 The audit certificate notes that the Council has failed to comply with the statutory requirement that the income from the Catering and Cleaning Trading Account is not less than expenditure over a three-year period. The report to the Council of 25 June 2009 regarding the unaudited accounts drew members' attention to the failure to achieve the breakeven position for the above trading account. It should be noted that in 2008-09 the catering and cleaning trading account achieved a surplus of £0.97m.
- 3.5 The external audit report outlines the scope of the audit and identifies the key issues that require to be brought to members' attention. No action plan is attached to the report as all of the points raised have been drawn from individual audit reports issued during the year and action plans have been prepared for each of these to address the matters raised by external audit.

3.6 A summary of the key points identified by external audit in the audit report on the 2008-09 Accounts have been attached as Appendix 2. Included with this are details of the action the Council has already agreed to take in relation to each point.

3.7 The external audit report provides comments on the following:

- Financial Statements
- Governance
- Performance

3.8 Appendix 1 is a schedule of the significant changes to the accounts. The 3 most significant adjustments to the accounts were as follows:

- During 2007-08, the Council implemented a new Pay and Grading Model and also revised staff terms and conditions. A provision was created to meet the costs of the new pay and grading model approved by Council and this provision was fully released during 2008-09 following implementation of the model. Some 580 staff have, however, appealed the determination of their allocated grade under single status arrangements. If an appeal is successful then any pay differential will be backdated to 1st April 2006. A new provision for £0.768m has been created to reflect the additional costs up to 31st March 2009 for successful appeals. This reduces the surplus on the Income and Expenditure Account and General Fund Balance by £0.768m.
- The draft accounts accrued grant income in respect of Oban Airport's running costs. £0.267m was reversed back out as the associated costs are not recoverable under the grant's terms and conditions. This reduces the surplus on the Income and Expenditure Account and General Fund Balance by £0.267m.
- An adjustment for £0.112m was made to correct the amount of requisition actually paid to Strathclyde Joint Police Board. This reduces the surplus on the Income and Expenditure Account and General Fund Balance by £0.112m.

- 3.9 The table below reconciles the changes from unaudited accounts to audited accounts for surplus/ (deficit) on the Income and Expenditure Account on the General Fund Balance.

	Surplus (Deficit) £000	General Fund Balance £000
Unaudited Accounts	9,149	33,774
Single Status Appeals Provision	(768)	(768)
Reversal of Depreciation on Investment Properties	233	
Deferred Government Grant Correction of Amortisation	(68)	
Oban Airport Income Accrual Reversal	(267)	(267)
Correction of Strathclyde Joint Police Board Requisition	(112)	(112)
Audited Accounts	8,167	32,627

- 3.10 The committed funds within the General Fund Balance were £28.015m per the unaudited accounts. This figure remains unchanged in the audited accounts. This leaves a free General Fund Balance of £4.612m. From this the Council has already approved the supplementary estimate to be funded from General Fund Balance of £216,000; this is to cover estimated additional costs for the implementation of the Council's "process for change" programme. In addition, a supplementary estimate of £70,000 was approved by Council on 1 October for the review of Community Councils. The resulting net balance is £4.326m. This compares to £3.908m being the agreed 1.5% contingency level approved as part of the 2009-10 to 2011-12 budget process. The level of General Fund Balance and contingency will require to be considered during the 2010-11 to 2012-13 budget process.

- 3.11 The full text of the external audit report is attached as Appendix 3.

4. IMPLICATIONS

- 4.1 Policy The completion of the accounts and the audit within set timescales complies with the Council's objectives on providing timeous and accurate information to the public.

4.2	Financial	The external auditor's independent examination of the Councils financial records had resulted in a clear audit certificate. The level of free General Fund Balance sits at 1.65% of the Council's budgeted net expenditure for 2009-10 and will require to be considered during the budget process.
4.3	Legal	The Accounts have been completed in accordance with all legislative and Code of Practice requirements.
4.4	Personnel	None
4.5	Equal Opportunities	None

Bruce West
Head of Strategic Finance
5 November 2009

APPENDIX 1 - SUMMARY OF MAIN CHANGES TO FINANCIAL STATEMENTS ARISING FROM AUDIT

Section of Accounts Changed	Audited Accounts £000s	Unaudited Accounts £000s	Change £000s	Comment/Explanation
Income & Expenditure Account (Page 16)				
Net Cost of Services	237,514	236,532	982	Single Status Provision for appeals settled, back pay due to 31 March 2009 - £768k charge against services. Reversal of depreciation on investment properties - £233k credit to services. Correction of amortization of deferred government grants - £68k charge against services. Correction of Strathclyde Joint Police Board Requisition - £112k charge against services. Oban Airport Accrual Reversal - £267k charge against services.
Interest Payable and Similar Charges	13,281	9,888	3,393	Change reflects gross interest payable including internal interest paid on other balances.
Interest and Investment Income	(4,808)	(1,415)	(3,393)	Change reflects Interest and Investment Income received from all external resources.
Surplus/(Deficit) for the year	8,167	9,149	982	Due to the net impact of the above changes.
Statement of Movement on the General Fund Balance (Pages 17-18)				
Surplus/(Deficit) for the year	8,167	9,149	982	See Income and Expenditure Account above.
Net Additional Amount to be debited or credited to the General Fund for the year	(6,546)	(6,381)	165	Reversal of depreciation on investment properties - £233k credit to services. Correction of amortization of deferred government grants - £68k charge against services.
Increase/(Decrease) in General Fund Balance for the Year	1,621	2,768	1,147	Due to the net impact of the various changes to the Income and Expenditure Account plus the reversals out through the Statement of Movement on the General Fund Balance.
Balance on General Fund Carried Forward	32,627	33,774	1,147	As above.

Section of Accounts Changed	Audited Accounts £000s	Unaudited Accounts £000s	Change £000s	Comment/Explanation
Balance Sheet (Page 20)				
Fixed Assets	349,601	349,414	187	Increase mainly due to reversal of depreciation on Investment Properties.
Debtors	22,558	22,825	(267)	Decrease due to reversal of Oban Airport Income Accrual - £267k
Creditors	(34,699)	(34,587)	(112)	Increase due to adjustment in Joint Police Board Requisition, £112k owed to Joint Scottish Police Authority.
Government Grants - Deferred	(60,629)	(60,561)	(68)	Correction of amortisation of deferred government grants £68k.
Provisions	(1,989)	(1,191)	(798)	Single status provision for appeals settled - £798k
Deferred Liabilities	(1,822)	(1,072)	(750)	Transfer of Land Contamination Repairs and Renewal Reserve to Deferred Liabilities.
Capital Adjustment Account	77,039	75,664	1,375	Transfer from revaluation reserve for depreciation on properties revalued in the year £1,256k.
Revaluation Reserve	20,056	21,312	(1,256)	Transfer to capital adjustment account for depreciation on properties revalued in the year £1,256k. Reversal of depreciation on investment properties £233k and correction of deferred government grant amortisation - £68k.
General Fund Balance	32,627	33,774	1,147	As above

APPENDIX 2 - KEY MATTERS IDENTIFIED IN EXTERNAL AUDIT REPORT 2008-2009 AND ACTION BEING TAKEN BY THE COUNCIL		
Ref	Matter Identified by External Audit	Action Being Taken by Council
1	Financial Statements – To provide an opinion on the Council’s Financial statements for the year ended 31 March 2009.	
1.1	We gave an unqualified opinion on the Council's 2008-09 financial statements on 30 September 2009.	Noted
1.2	Our audit opinion, however, draws attention to a failure to comply with the statutory requirement that all significant trading organisations break even on a rolling three year basis.	Noted. The catering & cleaning trading account did achieve a surplus of £0.97m for 2008-09
1.3	The Council has a history of managing its finances well, but has identified a potential budget shortfall for the 3 year period to 2011-12. The current economic recession will lead to reductions in public sector funding and will require the Council to take action to reduce costs, increase income or reduce levels of service provision.	This will be addressed through the planning & budgeting process. A 3 year programme of service reviews has been agreed by SMT. The Council is taking forward development of detailed design for workforce deployment and customer management elements of Process for Change and has already moved to the implementation phase for the procurement theme
1.4	The Council has recognised a provision of £0.8 million for the additional costs associated with implementation of single status arrangements. This provision reflects the outcome of the recent appeals process. The Council has also recognised a potential contingent liability in relation to single status appeals currently in progress.	Noted

APPENDIX 2 - KEY MATTERS IDENTIFIED IN EXTERNAL AUDIT REPORT 2008-2009 AND ACTION BEING TAKEN BY THE COUNCIL		
Ref	Matter Identified by External Audit	Action Being Taken by Council
2	Governance - To review and report on the Council's corporate governance arrangements, including: systems of internal financial control, arrangements for the prevention and detection of fraud and corruption, standards of conduct and the Council's financial position.	
2.1	We have concluded that the Council's systems of internal financial control are operating adequately. The Council has generally good financial management and budgetary control arrangements.	Noted
2.2	The Council has not yet appointed a head of internal audit position. The Council should develop a strategy for the future provision of internal audit which sets out its vision for the future role, remit and structure of the internal audit section to meet the new challenges facing local government.	Review of Internal Audit will to be carried out to address this issue.
2.3	The Council continued to develop its audit committee arrangements during 2008-09. An away day was held to facilitate discussion on the future role of the committee and there are plans in place to review and update the 2009-10 work plan, training arrangements and the terms of reference.	Noted
2.4	The Council should ensure it completes the processing of data matches from the National Fraud Initiative exercise as a matter of urgency.	These points will now be addressed

APPENDIX 2 - KEY MATTERS IDENTIFIED IN EXTERNAL AUDIT REPORT 2008-2009 AND ACTION BEING TAKEN BY THE COUNCIL		
Ref	Matter Identified by External Audit	Action Being Taken by Council
3	Performance - To review and report on the Council's arrangements to achieve Best Value, other aspects of arrangements to manage performance in the use of resources, and arrangements for preparing and publishing statutory performance indicators.	
3.1	The Council has responded positively to address the areas for improvement identified in Audit Scotland's recent best value report and has made good progress in implementing the Improvement Plan developed following the appointment of the new Chief Executive.	Noted
3.2	In particular, the Chief Executive has implemented a strategy which has resulted in a significant improvement in the Council's best value arrangements and has increased the pace of change and reform to meet best value expectations. This addresses a key area of weakness highlighted by Audit Scotland as requiring priority action.	Noted
3.3	The Council recognises that it needs to continue with the current pace of change and to ensure improvements in performance and strategic management lead to real and measurable improvement in service delivery outcomes and service user satisfaction. We are satisfied that officers and members understand the scale of this challenge and are committed to achieving the necessary improvement. Correspondingly, we regard the Council's prospects for future improvement as good.	A gap analysis for BV2 is taking place. The Council has also committed to the Public Service Improvement Framework. These will be used to update the Improvement Plan.
3.4	The Council has published its performance against the Single Outcome Agreement Objectives for 2008-09. The results show the Council has made significant progress across the 15 National Outcomes, with 2 areas identified as needing further work (Health and Inequalities).	Noted

KEY MATTERS IDENTIFIED IN EXTERNAL AUDIT REPORT 2008-2009 AND ACTION BEING TAKEN BY THE COUNCIL		
	Matter Identified by External Audit	Action Being Taken by Council
3.5	The Council achieved efficiency savings of £3.4 million for 2008-09, which met the Council's share of the national target, but below its own target of £4.6 million. A scorecard system is now in place to monitor departmental contributions to savings going forward.	Revised Efficiency Plan agreed at SMT and monitoring arrangements reviewed

Argyll and Bute Council

Report on the 2008-09 Audit

October 2009

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Appendices

- A Audit reports issued during the year**

1 Executive Summary

1.1 Introduction

This report summarises the outcome of our audit and key messages for members. We planned and performed our 2008-09 audit in accordance with our Audit Plan issued in February 2009. The Code of Audit Practice objectives and key findings arising from the audit are summarised in Exhibit 1 below.

Exhibit 1 - Key findings from the 2008-09 audit

Code Area	Summary
<p>Financial statements</p> <p>To provide an opinion on the Council's financial statements for the year ending 31 March 2009.</p>	<ul style="list-style-type: none"> We gave an unqualified opinion on the Council's 2008-09 financial statements on 30 September 2009. Our audit opinion, however, draws attention to a failure to comply with the statutory requirement that all significant trading organisations break even on a rolling three year basis. The Council has a history of managing its finances well, but has identified a potential budget shortfall for the 3 year period to 2011-12. The current economic recession will lead to reductions in public sector funding and will require the Council to take action to reduce costs, increase income or reduce levels of service provision. The Council has recognised a provision of £0.8 million for the additional costs associated with implementation of single status arrangements. This provision reflects the outcome of the recent appeals process. The Council has also recognised a potential contingent liability in relation to single status appeals currently in progress.
<p>Governance</p> <p>To review and report on the Council's corporate governance arrangements, including: systems of internal financial control, arrangements for the prevention and detection of fraud and corruption, standards of conduct and the Council's financial position.</p>	<ul style="list-style-type: none"> We have concluded that the Council's systems of internal financial control are operating adequately. The Council has generally good financial management and budgetary control arrangements. The Council has not yet appointed a head of internal audit position. The Council should develop a strategy for the future provision of internal audit which sets out its vision for the future role, remit and structure of the internal audit section to meet the new challenges facing local government. The Council continued to develop its audit committee arrangements during 2008-09. An away day was held to facilitate discussion on the future role of the committee and there are plans in place to review and update the 2009-10 work plan, training arrangements and the terms of reference. The Council should ensure it completes the processing of data matches from the National Fraud Initiative exercise as a matter of urgency.

Code Area	Summary
<p>Performance</p> <p>To review and report on the Council's arrangements to achieve Best Value, other aspects of arrangements to manage performance in the use of resources, and arrangements for preparing and publishing statutory performance indicators.</p>	<ul style="list-style-type: none"> • The Council has responded positively to address the areas for improvement identified in Audit Scotland's recent best value report and has made good progress in implementing the Improvement Plan developed following the appointment of the new Chief Executive. • In particular, the Chief Executive has implemented a strategy which has resulted in a significant improvement in the Council's best value arrangements and has increased the pace of change and reform to meet best value expectations. This addresses a key area of weakness highlighted by Audit Scotland as requiring priority action. • The Council recognises that it needs to continue with the current pace of change and to ensure improvements in performance and strategic management lead to real and measurable improvement in service delivery outcomes and service user satisfaction. We are satisfied that officers and members understand the scale of this challenge and are committed to achieving the necessary improvement. Correspondingly, we regard the Council's prospects for future improvement as good. • The Council has published its performance against the Single Outcome Agreement Objectives for 2008-09. The results show the Council has made significant progress across the 15 National Outcomes, with 2 areas identified as needing further work (Health and Inequalities). • The Council achieved efficiency savings of £3.4 million for 2008-09, which met the Council's share of the national target, but below its own target of £4.6 million. A scorecard system is now in place to monitor departmental contributions to savings going forward.

1.2 Action needed by the Council

Our audit identified the following key actions for the Council in the coming year. The Council should:

- review the financial strategy to address the forecast budget shortfall and assess the impact of any future cuts in public sector funding on council services
- develop a clear strategy setting out its vision for the future role, remit and structure of the internal audit section that meets the new challenges facing local government
- ensure risk and performance management arrangements are output, outcome and impact focussed and enable monitoring of the contribution of all partners in the community partnership to the achievement of Single Outcome Agreement objectives
- ensure recent improvements in strategic and performance management arrangements deliver the expected improvements in efficiency, service delivery outcomes and citizen satisfaction

- review and refine the existing improvement plan in light of the issues identified following our follow up best value audit and to ensure it is well prepared to respond effectively to the revised 'best value 2' scrutiny arrangements.

Detailed action plans have been agreed with the Council and included in our audit reports issued during the year (Appendix A).

1.3 Acknowledgements

We would like to take this opportunity to thank the staff who have been involved in the 2008-09 audit for their assistance and co-operation.

This report is part of a continuing dialogue between the Council and Grant Thornton and is not, therefore, intended to cover every matter which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in the Council's systems and work practices.

The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it.

Grant Thornton UK LLP
30 October 2009

2 Financial statements

2.1 Introduction

We have audited the Council's 2008-09 accounts in accordance with our Audit Plan issued in February 2009. The key messages arising from our financial statements audit are contained in our Report on the 2008-09 Accounts Audit, issued in September 2009, and summarised below.

2.2 Audit opinion

We gave an unqualified opinion on the Council's 2008-09 financial statements on 30 September 2009.

The Council's catering and cleaning trading operation achieved a £0.97 million surplus for the year, but has recorded deficits exceeding £1 million in each of the previous 2 years. As a result, this trading account has not met its statutory financial target to break even over a rolling 3 year period for the third successive year. This matter was referred to in an explanatory paragraph in the audit report.

2.3 Group accounts

The Council's group accounts include the consolidation of the Council's interest in Strathclyde Police Joint Board and Strathclyde Fire and Rescue Joint Board. All local authorities were notified in August 2009 that the new police and fire pension schemes are not covered by the Local Government Pension Reserve Fund (Scotland) Regulation 2003. As a result, Councils are unable to reverse out the pension costs applicable under FRS 17, Retirement Benefits, and replace them with the actual pension contributions paid out of the general fund.

Strathclyde Police Joint Board did not process an adjustment to their accounts to comply with the 2003 Regulations and the Council calculated that this omission impacted on their group accounts by decreasing the Council's share of the general fund of the Strathclyde Police Joint Board by £447,000 and increasing their share in the pension reserve by £447,000. The Council did not adjust the group accounts to reflect this decrease on the grounds of materiality. Strathclyde Fire and Rescue Joint Board did adjust their accounts to comply with the 2003 Regulations and the Council processed the Council's share of the adjustment (£93,000). A relevant disclosure note was added to the group financial statements on the situation.

It is expected that the Scottish Government will facilitate legislation to ensure that the new police and fire pension schemes are covered by the 2003 Regulations for the 2009-10 financial year.

2.4 Implementation of Single Status

During 2007-08, the Council implemented a new Pay and Grading Model and also revised staff terms and conditions. Each role within the council was reviewed, and graded within the new structure. Where the new grade resulted in an increase in pay, this was backdated to 1 April 2006. A provision was created to meet the costs of the new pay and grading model approved by Council and this provision was fully released during 2008-09 following implementation of the model.

Some 580 staff have, however, appealed the determination of their allocated grade under single status arrangements. If an appeal is successful then any pay differential is normally backdated to 1 April 2006, and the Council is also required to honour the new salary scale increase for the particular individual or staff group. 179 appeals have been processed as at 31 August 2009 and 98 (55%) of these have been successful, resulting in an estimated £0.8m liability for backdated pay as at 31 March 2009.

The Council created a new provision to reflect the additional cost of successful appeals against allocated grades under single status arrangements. The Council takes the view that it is too early to estimate the potential cost associated with the remaining appeals waiting to be heard, as the likelihood of their success cannot be known with any certainty. A contingent liability was disclosed in the financial statements for further costs relating to the implementation of single status arrangements.

2.5 International Financial Reporting Standards

Local government bodies will be required to prepare accounts on the basis of IFRS from 2010-11, with shadow IFRS-based accounts required for 2009-10. In addition, HM Treasury will require local authorities to restate PFI or PPP schemes under IFRS for the 2008-09 Whole of Government Accounts Return.

The transition to IFRS is complex, and will require detailed project planning to ensure the Council is able to fully implement the standard in line with the planned timetable. The Council has set up an IFRS project team, and has engaged the services of Pricewaterhouse Coopers to assist in the IFRS restatement exercise. A key task will be to review the impact of IFRS on the existing accounting treatment for the Schools NPDO and Waste management PPP projects.

We provide an annual training workshop for the Council's finance staff on developments in accounting and auditing standards and will continue to work closely with the Council's finance team over the period of our appointment.

2.6 Financial results

The Council reported a surplus on the Income and Expenditure account for 2008-09 of £8.2 million (2008: £5 million). The net increase on the general fund was £1.6 million (2008: £5.9 million).

The total net worth of the Council has decreased by £19.2 million over the course of the year, mainly due to actuarial losses on the Strathclyde Pension Fund offset by small revaluation gains on fixed assets.

The impact of the credit crunch on the global economy has led to a significant deterioration in the financial position of the UK government. This will translate into a reduction in funding available across all public services for the foreseeable future, with the likely impact taking effect on the Council's budget from 2010-11 onwards. The Council is aware of this issue and has projected that it is likely to face a significant budget shortfall in the 3 year period to 2011-12 as a result.

The Council is in the process of identifying and evaluating options to increase income and reduce expenditure to address the projected budget shortfall. Although the Council has sufficient general fund reserves, the level of unearmarked reserves may not cover budget shortfalls. In addition the Council is also facing a number of other budgetary pressures:

- wage and price inflation continue to exceed increases in income and levels of funding
- income from fees, charges and investments has decreased due to the decline in economic activity and interest rates
- demand for Council services, particularly care services, continues to exceed existing levels of provision
- the impact of appeals by staff on the new grading structure could lead to a significant and unplanned increase in future staff costs.

2.7 Trading Accounts

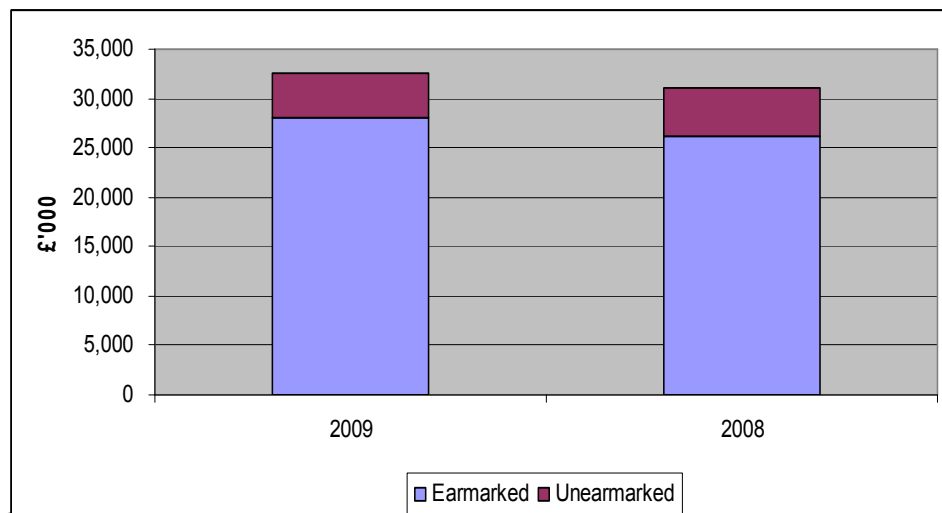
The Local Government in Scotland Act 2003 places a statutory requirement on significant trading operations to break even over a three year rolling period. The accounts record that, for the three year period to 2008-09, the Council's catering and cleaning trading operation failed to achieve the statutory break even financial requirement with a cumulative deficit of £1.1 million.

The recorded deficit largely results from the impact of the cost of equal pay claims and implementing single status, which was not accounted for when setting budgeted recharges. The Council has prepared a financial strategy to return the catering and cleaning trading operation to a break even position, and the 2008-09 in year result is a surplus of £0.97m. It remains unlikely, however, that this trading account will be in a position to meet its statutory financial target until 2010-11 at the earliest.

2.8 General Fund

The Council's reserves policy for the year ending 31 March 2009 was to retain unearmarked reserves of at least 1.5% of net operating expenditure. At 31 March 2009, the Council's unearmarked reserves totalled £4.6 million representing 1.8% of net operating expenditure in line with this policy as outlined in Exhibit 2 below.

Exhibit 2: General Fund balances at 31 March



The Council completed a risk based assessment of the general fund reserve and level of unearmarked reserves during the budget setting process for 2009-10. The assessment concluded that the Council will continue to maintain the 1.5% target for unearmarked reserves.

The Council continues to keep its reserve policy under review and has undertaken steps to implement our 2007-08 interim management report recommendation to improve arrangements to provide greater transparency around departmental plans to apply all earmarked reserves. The Council now restricts the carry forward of unspent grants and budgets to 3% of net operating expenditure, and this target was achieved for 2008-09. Going forward, the Council will implement plans to ensure that unspent budget carried forward is targeted at the Council's priorities as set out in the corporate and service plans.

2.9 Capital Expenditure and the Prudential Code

The total capital budget for the year was £41.3 million reflecting a continuing high level of planned spending on schools and transport infrastructure. The Council incurred gross capital expenditure of £28.2 million during the year (2007: £34.2 million), representing a significant budget underspend of £13.1 million (30%) for the year. The main areas of underspend are in Roads and Amenity Services and Primary Education, due to slippage in project timescales.

The Council has also identified that, on a cumulative basis, it was forecast to be overspent by £4.7 million across all capital projects, representing 2.8% of the total capital programme of £171 million. The largest overspends were recorded on the following 3 projects: Rothesay Harbour Berth Improvements (£1.1 million); Port Askaig (£0.9 million); Argyll Air Services (£0.6 million).

The Council's level of outstanding debt fell by £31m (16%) from £188 million in 2007-08 to £157 million at 31 March 2009. This reflects the Council's decision to repay Public Works Loan Board debt with excess cash, rather than hold cash in the banking system given uncertain counterparty risks and low interest rates. The Council has policies in place to ensure it is not borrowing in advance of need.

Local authority capital expenditure and borrowing is regulated by the Prudential Code which requires councils to ensure capital plans are affordable, borrowing is prudent and sustainable, and treasury management arrangements reflect good practice. The Council approved a set of prudential indicators for 2008-09 and managed capital expenditure within these approved limits.

2.10 Key actions going forward

In summary, the key recommendations arising from our audit of the financial statements are that the Council should:

- review the financial strategy to address the forecast budget shortfall and assess the impact of any future cuts in public sector funding on operations
- review departmental budget assumptions to ensure they are subject to rigorous review, continue to remain affordable, and reflect corporate priorities

- undertake a more detailed review of the capital plan, in light of recent reported underspends, to ensure it continues to remain realistic.

A detailed action plan has been agreed with the Council to address these key issues and is contained in the following reports: Core Financial Systems Report and the Report on the 2008-09 Accounts Audit issued in September 2009.

3 Governance

3.1 Introduction

In accordance with the 2008-09 Audit Plan we have reviewed key aspects of the Council's governance arrangements. The detailed findings from our governance review are contained in our interim reports issued as follows:

- Governance (June 2009)
- IT follow up review (June 2009)
- Core Financial Systems (September 2009)

Key messages are summarised below.

3.2 Overview of arrangements in 2008-09

We have concluded that the Council's systems of internal financial control and governance arrangements are generally operating adequately. Key findings from our review included:

- The Council should introduce procedures to ensure all transfers between budgets in service departments are appropriately documented.
- The Council should update the fixed asset register throughout the year and use fixed asset register information more proactively to improve asset management arrangements.
- The Council should establish counterparty limits for sums invested with its bankers. This reduces the risk of lending to risky financial institutions.
- The Council should review treasury management policies to ensure they are up-to-date and incorporate CIPFA's interim guidance on treasury management which was introduced following the credit crunch.

The Council has agreed to take action to address all of the recommendations emerging from our audit and we will review progress as part of our 2009-10 audit.

3.3 Audit Committee arrangements

Our review found that the Council's audit committee operates effectively and complies with the majority of good practice principles outlined in the CIPFA guidance. In particular, the approach adopted by the Council to appoint non-councillors as chair and vice chair of the audit committee goes beyond good practice, and significantly strengthens overall governance and scrutiny within the Council.

The Council continued to develop its audit committee arrangements during the year and members attended an 'away day' to facilitate discussion on the future operations of the committee. Members completed a self assessment questionnaire

which analysed the working arrangements of the committee as a basis for reviewing and improving current arrangements.

The Committee produced a report on its work during the year which was presented to the September 2009 committee. The Committee has set out its plans to further improve its working arrangements and has undertaken to review and update its 2009-10 work plan, 2009-10 training plan, and current terms of reference.

3.4 Internal Audit

As part of our 2006-07 audit, we reviewed the Council's internal audit department against the eleven standards set out in the Code of Practice for Internal Audit. We found that the internal audit section did well in undertaking and reporting its work but was not sufficiently resourced to deliver its audit plan effectively. We followed up progress in implementing our recommendations in 2007-08. Our Governance report issued in June 2009 reported on the progress of implementation of those recommendations that remained outstanding:

Our review of progress found that 6 out of the 8 outstanding recommendations have now been fully implemented. Of the remaining recommendations, 1 is in the process of being implemented and 1 remains under consideration by management. Of the recommendations that are not yet fully implemented, both are categorised as medium risk:

- The Council has not yet updated the constitution to recognise the role of internal audit in the investigation of frauds. We are aware that the relevant section has been completed for inclusion in the constitution, and the updated constitution is expected to be published in August 2009.
- The Council has not yet created a 'head of internal audit' position. The Council had planned to review the structure of Internal Audit at the end of the internal audit partnership with KPMG in 2007-08. However the partnership has since been extended and this decision has been delayed.

The Council has not yet developed a clear strategy setting out its vision for the future role, remit and structure of the internal audit section that meets the new challenges facing local government. We have recommended that the Council develop a strategy for the future provision of internal audit. This should include a consideration of whether the service should be provided internally, externally or a mixture of both.

3.5 National Fraud Initiative

The Council continues to participate in the National Fraud Initiative (NFI) exercise, and is currently processing matches from the 2008-09 exercise.

From our previous review of the 2006-07 exercise, we found a number of areas for improvement in the Council's arrangements for participating in the NFI exercise, in particular the need for improved documentation of progress monitoring, investigation and closure of case matches.

Since our report was issued, the Council has taken the following action:

- an action plan has been developed which sets out the key milestones in the NFI process, and the Council's progress against completion
- a control record is maintained of matches from the NFI application

- the action plan is passed to Senior Management for review when key milestones are reached

Although the Council has improved the planning and monitoring procedures for the NFI process, there continues to be a lack of urgency in processing data matches. As of 20 October 2009, the Council has processed all housing benefit matches, but has not recorded any frauds. We noted that the Council has not yet processed any payroll, blue badge holders, private residential care homes or insurance claim matches. These matches offer the best quality matches and an opportunity for the Council to detect or prevent fraud, and should be investigated as a matter of urgency.

3.6 Key actions going forward

In summary, the key recommendations arising from our governance audit are that the Council should:

- develop a clear strategy setting out its vision for the future role, remit and structure of the internal audit section that meets the new challenges facing local government.
- review and clear as a matter of urgency, those high quality NFI matches that have not yet been opened.

Detailed action plans have been agreed with the Council to address these key issues and are contained in our Interim Report issued in August 2009, our report on IT Systems and Applications issued in June 2009, and in our follow up report on Internal Audit issued in May 2009.

4 Performance

4.1 Introduction

In accordance with the Audit Plan we have reviewed key aspects of the Council's performance arrangements during 2008-09. The detailed findings from our performance review will be contained in our Best Value follow-up Report to be issued in October 2009. Our key findings during the year are summarised below.

4.2 Best Value follow up review

Audit Scotland published their report on the follow up audit of the Council's best value and community planning arrangements in December 2008. Audit Scotland found that the Council had made progress in a number of key areas, including corporate leadership and strategic direction, but concluded that overall there was a clear need to increase the pace of change and ensure a number of systems and processes for supporting best value were successfully implemented.

As part of our 2008-09 audit, we have followed up the progress made by the Council in addressing the improvement agenda prepared in response to the 2008 best value audit. Our audit has covered the following key areas

- an evaluation of progress in achieving Improvement Plan objectives
- an assessment of the overall achieved improvement to date
- an assessment of the prospects for future improvement.

The Council appointed a new Chief Executive in September 2008 which has led to a marked change in the Council's leadership and approach to best value and performance management. The Council has invested heavily in developing the leadership capacity of its staff since the Audit Scotland report, and there is a more focussed approach to delivering strategies and driving continuous improvement more effectively as a result.

We found that the Council has responded positively to address the areas for improvement identified in the Action Plan developed to address Audit Scotland's recommendations and the appointment of the new Chief Executive earlier in the year has increased the pace of change across Council services, but particularly in improving and embedding a new performance and strategic management framework. This addresses a key area of weakness highlighted by Audit Scotland as requiring priority action.

The process of designing, implementing and communicating the revised approach to corporate and strategic management has been the focus of the Council's senior staff over the past year and it is too early to assess the impact of these changes on service delivery improvement. We note, however, that many of the Council's services continue to record good levels of performance as measured by statutory performance indicators, but that performance is 'patchy' across services. In some

corporate priority areas, such as children's services and adult social care services, performance is often below the national average as per the SPI results for 2008-09.

The Council recognises the need to demonstrate improvement in service outcomes and we are satisfied that it now has a robust performance reporting framework which will enable it to achieve this going forward.

The Council has also taken action to re-invigorate its community planning arrangements and revised the role and remit of area committees as part of this review. These changes remain at an early stage of development and arrangements to monitor partners' contributions to achieving Single Outcome Agreement targets are now in place (through the Community Planning Partnership's (CPP's) adoption of the PPMF) although at an early stage of implementation. The CPP remains on track for delivering key objectives in line with agreed plans.

As noted above, we found that the Council was taking action to address all areas identified by Audit Scotland as requiring improvement and we are satisfied with the pace of reform overall. At the time of our audit the Council was in the process of developing and implementing a range of corporate plans and processes. These development areas were on track for delivery in accordance with the Council's own plans and timescales, but were not covered by our audit and are summarised below:

- reform of strategic financial management arrangements is in progress, but will not be completed until summer 2010
- development of an employee involvement strategy has been delayed to allow the new Head of Service to review the Council's overall workforce strategy
- arrangements for asset management remain in the process of development, and we note that a schools estate strategy has been developed and a detailed action plan is in place setting key milestones for improved asset management more generally
- corporate risk management arrangements have been significantly improved since our last audit, and we noted risk management is developing across all services
- the Council has improved its public performance reporting arrangements since our last review and has plans in place to co-ordinate how it communicates with its service users across all of its services. The Council has done some work to identify the information requirements and expectations of its service users.

The Council has responded positively to address the areas for improvement identified in Audit Scotland's recent best value report. In particular, the Chief Executive has implemented a strategy which has resulted in a significant improvement in the Council's best value arrangements and has increased the pace of change and reform to meet best value expectations. The Council recognises that it needs to continue with the current pace of change and to ensure improvements in performance and strategic management lead to real and measurable improvement in service delivery outcomes and service user satisfaction. We are satisfied that officers and members understand the scale of

this challenge and are committed to achieving the necessary improvement. Correspondingly, we regard the Council's prospects for future improvement as good.

We issued our draft report on our follow-up review to the Council in October 2009 and we have now agreed this report with management. Our findings will be reported to the Audit Committee when this process is complete.

4.3 Single Outcome Agreement

The publication of the Single Outcome Agreement (SOA) and Corporate Plan has provided a clear vision for the Council based around the 15 National Outcomes (Exhibit 1). The SOA was developed and agreed with the Council's community planning partners. This provides a shared framework to monitor and assess performance across the Argyll and Bute area. The Council recently published the first annual progress report on the SOA, as shown below in Exhibit 3.

Exhibit 3 - Performance against SOA objectives

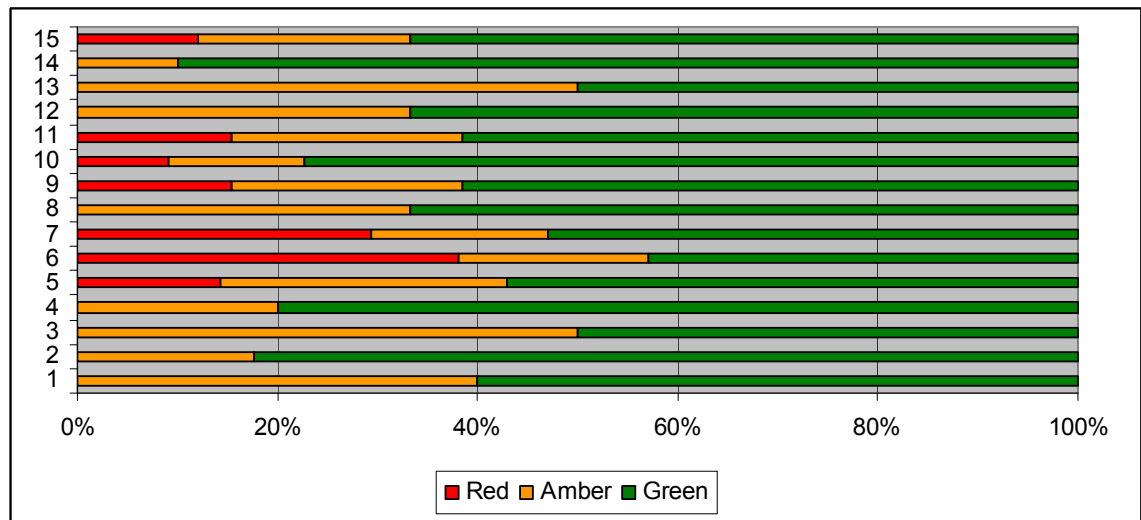


Exhibit 3 highlights that significant progress has been made across each of the agreed priorities. However the Council has identified that the bulk of the targets not met are in National Outcomes 6 and 7 (Health and Inequalities).

4.4 Efficient Government

The efficient government initiative is a central part of the government's programme of investment, reform and modernisation. The Efficient Government Plan sets targets for local government bodies to achieve 2% cash-releasing savings for 2008-09. For Argyll and Bute Council this equates to a savings target of around £3.4 million, with identified savings of £4.6 million identified at the start of the financial year. The actual outcome as reported in the 2008-09 Annual Efficiency Statement was £3.4 million, in line with the national target but £1.2 million below the level of savings identified at the start of the financial year.

In order to claim an efficiency, the Council needs to demonstrate that service outcomes have been maintained or improved and this can only be achieved through a robust performance management system that captures information and baseline data covering both cost and quality aspects of service provision. The Council is continuing to progress its systems of performance management, and is developing Service Performance Scorecards that identify key performance indicators (KPI) for each service within the Pyramid performance management system. For 2008-09, 43 KPIs were agreed for services and achievement of these was measured using a 'traffic light system'. As at March 2009, out of 43 KPIs, 31 were classed green, 5 were amber and 7 were red.

The financial constraints referred to earlier in this report highlight the priority need to bring forward a programme of efficiency reviews across all Council operations. The Council incorporated the achievement of efficiency savings in the budget process for 2009-10, and departments were asked to identify how they would contribute to the efficiency savings target and prepare schedules showing proposals for efficiency savings. The Council will monitor the contribution of departments to the efficiency savings targets through the scorecards.

4.5 Statutory Performance Indicators

The Council is required to prepare Statutory Performance Indicators (SPIs) in accordance with a direction issued annually by the Accounts Commission. We audit these indicators to ensure they are prepared in accordance with the guidance. In the absence of locally determined performance measures, SPIs represent the main source of performance information for a local authority. In addition to SPIs, Argyll and Bute Council has developed local performance indicators that are now included in the performance scorecards.

The Council has generally satisfactory arrangements for producing SPI information, but has been unable to produce reliable performance information for one of the 78 SPIs relating to the number of visitor numbers for council funded museums.

4.6 Asset Management

In Argyll and Bute, property costs account for around 4% of the gross revenue budget. Good asset management helps to ensure that the asset portfolio is making the maximum possible contribution to meeting the Council's objectives. It also benefits service delivery by making Council buildings work better for staff and service users.

In May 2009, Audit Scotland published their national report, *Asset Management in Local Government*. The overall aim of the study was to evaluate the extent to which councils manage assets to ensure effective service provision and value for money. The report found that councils could make significant improvements in asset management arrangements and pointed to the need for standardisation of data and a consistent methodology for measuring building suitability. Audit Scotland also recommended that councils should:

- have effective asset management plans and strategies in place, linked to a long term capital strategy
- ensure that asset information is up to date, complete and held in a form which allows production of management reports
- ensure that elected members regularly consider reports on the condition, suitability and use of assets, property costs and estimates of the maintenance backlog
- agree with community planning partners arrangements for joint planning, management and property sharing.

The assessment of the Council's asset management arrangements found that Argyll and Bute Council was one of the best ranked local authorities in Scotland. Three areas were highlighted for improvement: strategy, policy and plans; structure, roles and responsibilities and performance management. The Council has since re-

established its Asset Management Board, and the Board has now reviewed the national assessment and considered responses to meet the areas where improvement is required. We will continue to monitor the Council's responses to the national report and the progress of implementation of the Board's action plan.

4.7 Equalities

Audit Scotland published a report on *The Impact of the Race Equality Duty on Council Services* in November 2008. Councils have had a duty to eliminate racial discrimination and to promote equal opportunities and good race relations under the race equality legislation since 2002. The report found that while Councils had taken steps to publish strategies and policies on race equality, they had not yet had an impact on the delivery of services.

The Council has developed an Equality Scheme to address its approach to all equalities including race, gender, age and disability and the Equality Scheme links in to the key themes within the Corporate Plan and Single Outcome Agreement.

However, in line with many other councils, the impact of this Scheme on the delivery of services has not yet been assessed.

4.8 Improving Energy Efficiency

Audit Scotland published a report on *Improving Energy Efficiency* across the public sector in December 2008. Notably, they found that while energy consumption has fallen, expenditure has risen, highlighting the continuing pressure on budgets associated with rising energy prices.

All councils signed Scotland's Climate Change Declaration in 2007, which included a commitment to prepare and publish local plans to achieve a significant reduction in greenhouse gas emissions. However, Audit Scotland found that few public bodies have action plans in place to deliver their energy efficiency strategies.

The Council has recognised the need to reduce energy costs and has developed a number of strategies to achieve this. The Council is developing its approach to energy efficiency across all Council services. During the year, the Council approved a carbon management plan, which was developed in association with the Carbon Trust.

4.9 Procurement

Procurement is one of the key areas identified within the Efficiency Programme for councils to achieve year on year savings. Purchasing the right goods and services, at the right time and for the right price can mean better services can be delivered for greater value for money. If purchasing is not done well it can lead to public bodies spending more, diverting resources away from other service priorities.

The Council's has a procurement strategy in place, which has been aligned to the National Procurement Policy Handbook and reviewed against the criteria in the McClelland review.

A fundamental element of the Efficiency Programme was development of centres of expertise to co-ordinate and lead improvements and to help to make savings. The centre of expertise for local government is Scotland Excel, of which the Council is a member.

In July 2009, Audit Scotland published a report on procurement across the public sector called *Improving Public Sector Purchasing*. Local authorities were asked to complete an information return to benchmark good practice across the sector and highlight changes in procurement practice following the McClelland review. The

report points to the savings that can be achieved through collaborative contracts, such as those negotiated by Scotland Excel.

Procurement is a key area for the Council to glean efficiency savings. The Council's efficiency statement for 2008-09 records cash releasing savings of £571k specifically related to improved procurement practices. The Council will continue to seek further procurement efficiencies through the process for change.

4.10 Future Developments

Statutory Performance Indicators

The Accounts Commission has made a significant change in its approach to SPIs. From 2009-10, the SPI direction incorporates two main requirements:

- that councils report a range of sufficient information to demonstrate best value in relation to corporate management (SPI 1); and
- that councils report a range of information sufficient to demonstrate best value in relation to service performance (SPI 2).

In reporting against SPIs 1 and 2, all councils will be required to report performance against 25 indicators specifically defined by the Accounts Commission. However, this provides a key opportunity to develop and report on locally determined indicators that reflect how the Council is performing as a whole. It is essential that these indicators are developed from existing performance management measures and that arrangements are in place to ensure the reliability and accuracy of the information to be reported. We note, for example, that some of the indicators gathered under the SOA are reported by other partners from the CPP. The Council has considered how it will gain assurance on the accuracy of these indicators, including a review of the CPP/SOA scorecard by the Council's internal auditors.

Streamlining External Scrutiny

The Crerar report on the independent review of regulation, audit, inspection and complaints handling of public services contained a series of recommendations designed to streamline the scrutiny landscape in Scotland. In their response to the report, Scottish Ministers asked the Accounts Commission to establish a single audit framework to reduce the burden of scrutiny for local authorities.

Work has now begun on creating a more co-ordinated approach to audit and inspection. Scrutiny bodies including Audit Scotland, HM Inspectorate of Education, the Scottish Housing Regulator and the Social Work Inspection Agency have selected seven councils to pilot a shared risk assessment (five Best Value 2 pathfinders and two development sites). The intention is to develop a single corporate assessment and shared risk assessment for each local authority. From this, an assurance and improvement plan would be prepared which would cover all scrutiny activity over a three year period for each council. It is hoped that the results from these pilots will be available during 2009-10.

Best Value 2

In light of national developments, it is clear that external scrutiny and the performance and accountability framework for public bodies will progressively be focused on national outcomes and Single Outcome Agreements. Audit Scotland is

currently developing its approach to Best Value 2 (BV2) by working with five pathfinder councils. The framework is based on:

- strong baselines
- robust measures of performance
- challenging targets
- comparability with others

The new framework will also assess mechanisms and levels of public engagement achieved to date. From April 2010, the new approach will be rolled out across all 32 councils in Scotland. The timing of Argyll and Bute's inspection will be determined by the shared risk assessment agreed by external audit and inspection bodies. The Council has recently adopted the Public Service Improvement Framework which provides a consistent framework for service improvement across the Council and should provide the tools for a robust approach to self assessment and review that meets the requirements of BV2.

4.11 Key actions going forward

In summary, the key recommendation arising from our performance audit is that the Council should continue to build on the good progress made in addressing the areas for improvement identified in Audit Scotland's best value progress report

The Council recognises that it needs to continue with the current pace of change and to ensure improvements in performance and strategic management lead to real and measurable improvement in service delivery outcomes and service user satisfaction. We are satisfied that officers and members understand the scale of this challenge and are committed to achieving the necessary improvement. Correspondingly, we regard the Council's prospects for future improvement as good.

A Audit reports issued during the year

Audit Area	Target Delivery	Outturn
Financial statements audit		
Interim reports	30 June 2009	Draft issued on 9 June 2009, Final issued on 3 September 2009
Accounts report (ISA260)	early September 2009	Draft issued on 9 September 2009 Final issued on 16 September 2009
Governance		
Interim reports	30 June 2009	Governance Draft on 14 May 2009, Final issued on 3 June 2009 IT Draft issued on 5 May 2009, Final issued on 3 June 2009
Performance		
Best Value- follow up review	30 October 2009	October 2009 (Draft)
SPIs- return to Audit Scotland	31 August 2009	31 August 2009
Grant claims		
Housing and Council Tax Benefit	30 November 2009	Audit fieldwork ongoing
Education Maintenance Allowance	31 July 2009	31 July 2009
Non-domestic rates	8 February 2010	Not yet due
Overall audit		
Annual Audit Report	30 October 2009 *	Draft issued on 28 October 2009 Final issued on 16 November 2009

* per the Audit Plan, 30 September 2009. A revised target of 30 October 2009 was agreed with the Chief Executive in order to include a summary of the best value report.



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AUDITED ACCOUNTS FOR THE PERIOD

1 APRIL 2008 TO 31 MARCH 2009

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Ma tha sibh ag iarraidh an sgrìobhainn seo ann an cànan no riochd eile, no ma tha sibh a' feumachdainn seirbheis eadar, feuch gun leig sibh fios thugainn.

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ਜੇ ਇਹ ਦਸਤਾਵੇਜ਼ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦਾ ਹੈ, ਜਾਂ ਜੇ ਤੁਹਾਨੂੰ ਗੱਲਬਾਤ ਸਮਝਾਉਣ ਲਈ ਕਿਸੇ ਇੰਟਰਪ੍ਰੈਟਰ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਤੁਸੀਂ ਸਾਨੂੰ ਦੱਸੋ।

یہ دستاویز اگر آپ کو کسی دیگر زبان یا دیگر شکل میں درکار ہو، یا اگر آپ کو ترجمان کی خدمات چاہئیں تو برائے مہربانی ہم سے رابطہ کیجئے۔

Jeżeli chcieliby Państwo otrzymać ten dokument w innym języku lub w innym formacie albo jeżeli potrzebna jest pomoc tłumacza, to prosimy o kontakt z nami.

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INTRODUCTION

The Annual Accounts demonstrate the Council's stewardship of the public funds it controls. The financial results for 2008-09 are set out on pages 16 to 61. The Statement of Accounting Policies on pages 10 to 15 sets out the accounting policies adopted by the Council to ensure that the Accounts give a "true and fair view" of our financial performance.

THE FINANCIAL STATEMENTS

Core Financial Statements

The Statement of Accounting Policies sets out the basis upon which the Financial Statements have been prepared and explains the accounting treatment of both general and specific items. The Council continues to adopt the accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authorities (Scotland) Accounts Advisory Committee (LASAAC). The Annual Accounts for 2008-09 have been prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP). The format of the Income and Expenditure Account reflects the requirements of the Best Value Accounting Code of Practice 2008 - Scotland (BVACOP).

The following statements are grouped together to give the 'core' single entity financial statements for the Council:

The Income and Expenditure Account reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local tax payers.

The Statement of Movement on the General Fund Balance shows the amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are by statute and non-statutory proper practices charged or credited to the General Fund in determining the movement on the General Fund for the year.

The Statement of Total Recognised Gains and Losses (STRGL) shows all gains and losses experienced by a local authority, not just those that are reflected in the Income and Expenditure Account. It is necessary to consider all gains and losses recognised in a period when assessing the financial result for the period.

The Balance Sheet brings together all the assets and liabilities of the Council's General Fund and Loans Fund. It is the statement of the resources of the Council and the means by which they have been financed. It is also a report on the Council's financial position at one particular point in time, a snapshot of its financial affairs at the close of the year expressed in accounting terms.

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties on both day to day revenue transactions and on capital activities. Cash is defined for the purposes of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

The Notes to the Core Financial Statements give further information on the local authority's core financial statements.

Supplementary Financial Statements

The following statements make up the 'supplementary' single entity financial statements for the Council:

The Council Tax Income Account shows the net income raised from council taxes under the Local Government Finance Act 1992.

The Non-domestic Rate Income Account shows the build up of non-domestic rate income, the contribution to or from the national pool and the resulting net income for the financial year to the Council that is shown in the Income and Expenditure Account.

The Group Accounts

The following statements make up the 'Group Accounts' for the Council:

The Group Income and Expenditure Account combines the Income and Expenditure Account figures for the Council as a whole with those of entities in which the Council has a controlling interest in or where significant influence is exerted.



Foreword by Head of Strategic Finance

Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit – the main reconciling items here are:

- Deduction of subsidiary and associate dividend income and other distributions.
- Addition of the surplus / deficits attributable to subsidiaries, associated and joint ventures.

The Group Statement of Total Recognised Gains and Losses shows all gains and losses experienced by the group as a whole, not just those that are reflected in the Group Income and Expenditure Account. It is necessary to consider all gains and losses recognised in a period when assessing the Group's financial result for the period.

The Group Balance Sheet brings together all the assets and liabilities of the Group. It is the statement of the resources of the Group and the means by which they have been financed.

Notes to the Group Accounts give further information on the Council's Group Accounts.

Statement of Responsibilities for the Statement of Accounts

This statement sets out the respective financial responsibilities of the Council and the Chief Financial Officer for the accounts. In Argyll and Bute Council the Chief Financial Officer is the Head of Strategic Finance.

Statement on Internal Control

This statement sets out the framework within which internal control is managed and reviewed over the main components of the systems, including the Internal Audit arrangements.

FINANCIAL PERFORMANCE

Income and Expenditure Account

The Council ended the year with an accounting surplus of £8.167m for 2008-09 compared to a surplus of £5.065m for 2007-08. This is the accounting surplus based on the SORP compliant accounts rather than the movement in the General Fund Balance.

Income from taxation and government grants totalled £254.916m for 2008-09 compared to £221.946m for 2007-08. An increase of £32.97m (14.9%). This includes revenue support grant up from £142.282m in 2007-08 to £174.047m in 2008-09, non domestic rates up from £33.171m in 2007-08 to £35.058m in 2008-09 and council tax down from £46.493m in 2007-08 to £45.811m in 2008-09. Much of the increase in revenue support grant arises from a change in how the Scottish Government makes payments to the Council and is not an increase in grant. From 2008-09 most funding that was previously paid as a specific grant is no longer ring fenced and is included in revenue support grant.

Net operating expenditure increased from £216.881m in 2007-08 to £246.613m in 2008-09. An increase of £29.732m (13.7%). A significant element of this increase relates to the change in payment of funds that were specific grants. As this income is now part of revenue support grant it is no longer accounted for as service income thereby increasing the net expenditure of services in the Income and Expenditure Account.

General Fund Balance

The balance on the General Fund at 31 March 2009 stands at £32.627m compared to £31.006m at 31 March 2008. An increase of £1.621m. The "free" General Fund Balance stands at £4.612m at 31 March 2009. This equates to 1.7% of the net revenue expenditure for 2009-10. There are a range of balances earmarked within the General Fund Balance. These total £28.015m and are laid out in note 30.8.



Foreword by Head of Strategic Finance

The movement in the General Fund can be summarised as follows;

	£m	£m
Balance on General Fund 31 March 2008		31.006
Less budgeted transfer to services 2008-09		9.002
		22.004
Add outturn for 2008-09		
Increase in council tax income	0.474	
Savings in loan charges	0.465	
Net underspend on departmental expenditure compared to budget	0.438	
Surplus against budget 2008-09		1.377
Council Tax collection on second homes	1.787	
Contribution to PPP smoothing funds	2.920	
Funds earmarked by departments from budgets	4.539	
		9.246
Balance on General Fund 31 March 2009		32.627

The net adjustment to the surplus per the Income and Expenditure to reflect the impact on council tax is a credit of £6.546m. In summary this credit represents the difference between:

- Principal repayment to the loans fund and the depreciation or amortisation of fixed assets and government grant and any gain/loss on sale of assets
- Cash paid as pension contributions and the costs charged in accordance with FRS17.
- Statutory provision relating to amounts due on early repayment of loans and the charges in accordance with the SORP.
- Capital element of the schools NPDO payment and build-up of the debtor to reflect the residual value of the NPDO schools at the end of the contract.

The net surplus on the Income and Expenditure Account of £8.167m less the adjustments to reflect impact on Council Tax at £6.546m equates to the increase on the balance on the General Fund of £1.621m.

Statement of Total Recognised Gains and Losses

This analyzes the decrease in the net worth of the Council from 31 March 2008 of £113.842m to £94.632m at 31 March 2009 based on the Balance Sheet. This is a decrease in the net worth of the Council in accounting terms and does not represent a decrease in the spending power of the Council. The reduction in net worth arises mainly from an actuarial loss on the pension plan of £35.084m offset by a gain on revaluation of fixed assets of £7.707m. These changes do not represent any change in the cash available to the Council.

Balance Sheet

As indicated above the accounting net worth of the Council has decreased by £19.210m from £113.842m at 31 March 2008 to £94.632m at 31 March 2009.

The value of fixed assets has increased from £333.828m at 31 March 2008 to £349.601m at 31 March 2009, an increase of £15.773m (4.7%). This comprises a net upward revaluation of fixed assets and capital expenditure less the value of fixed assets disposed of.

In terms of current assets and current liabilities the net of stock, debtors and creditors there was a decrease in current liabilities of £3.107m, decreasing from £15.140m at 31 March 2008 to £12.033m at 31 March 2009. The net cash, bank, short term borrowing and bank overdraft has moved from a net amount of cash invested by the Council of £38.849m at 31 March 2008 to a net cash deficit of £3.747m at 31 March 2009. This is a decrease of £42.596m. This reflects a pro-active decision to repay external borrowing and reduce cash investments thereby reducing the Council's exposure from external investments.



Foreword by Head of Strategic Finance

Overall, long term liabilities have decreased from £245.352m at 31 March 2008 to £242.418m at 31 March 2009. The decrease of £2.934m masks some significant movements.

- Long term borrowing has decreased from £187.476m to £145.724m. This reflects the decision to repay external borrowing referred to above.
- The FRS17 valuation of the pension scheme liability increased from £0.598m to £32.517m.
- There were also government grants of £12.935m received in relation to fixed assets, and the provision to cover single status back pay was reduced by £4.129m as payments were made during the year.

Significant Trading Organisations

Councils are required to identify their Significant Trading Organisations. Significant Trading Organisations must achieve a breakeven financial position over a rolling three year period. Information on the financial performance of Significant Trading Organisations is given in the Accounts and this is laid out in note 2 of the Notes to the Core Financial Statements. During 2008-09 the Roads and Lighting trading account achieved a surplus of £0.537m. It achieved a rolling breakeven position with a three year surplus of £0.813m. The Catering & Cleaning trading account returned a surplus of £0.955m for the year but failed to achieve a breakeven position over the rolling three year period as a result of accumulated deficits in 2006-07 and 2007-08. The accumulated deficit going forward is £1.117m. Any surplus or deficit is treated as part of the General Fund.

Capital Expenditure and Borrowing

Local authority capital expenditure and borrowing is regulated by the Prudential Code, a regime of self regulation. Under the Prudential Code of Practice the Council must ensure that:

- Capital expenditure plans are affordable;
- Borrowing is sustainable and prudent; and
- Treasury management reflects good professional practice.

The Council approved a set of prudential indicators for 2008-09 and managed capital expenditure and borrowing within these approved limits.

Capital expenditure was incurred across a range of services enhancing the value, useful life or working capacity of the Council's assets. This included investments in schools, offices, other premises and facilities, information technology and roads. Details of capital expenditure are as follows:

	£'m
Gross Capital Expenditure	28.975
Less: Capital Receipts	0.865
Government Grants and Other Contributions	13.648
Revenue Contributions	0.714
	13.748

The external borrowing of the Council at 31 March 2009 amounted to £156.785m. The majority of this was financed by the Public Works Loan Board (£98.066m), with the remainder coming mainly from the money market. During the year the Council completed £38.629m of new external borrowing. This was used to finance capital expenditure incurred during the year. The Council also prematurely repaid loans of £69.884m.

The capital financing requirement at 31 March 2009 was £194.354m. This was financed as follows:

	£'m
Long Term Borrowing	145.724
Short Term Borrowing	11.061
General Fund Balance	32.627
Other Internal Funds	4.942
	194.354

**PROPERTY VALUATIONS**

In accordance with the 2008 Statement of Recommended Practice (SORP) all properties are required to be formally revalued at intervals of not more than five years. The current five year rolling programme of revaluation of all land and buildings, started in 2004-05, was completed during 2008-09.

PENSIONS LIABILITY

Pension costs have been recognised in accordance with FRS17. As a result of this, a liability of £32.517m is recorded in the Council's balance sheet. This represents the Council's share of the shortfall on Strathclyde Pension Fund. This liability is offset by a Pensions Fund reserve of an equivalent amount.

Hymans Robertson (Independent Actuaries) were instructed by Glasgow City Council, the administering authority to the Strathclyde Pension Fund, to undertake calculations in respect of the Local Government Pension Scheme on behalf of Argyll and Bute Council as at 31 March 2009. Their calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under FRS17, issued by the Institute and the Faculty of Actuaries.

Local Government legislation provides that Local Authorities have an obligation to meet the expenditure of the Joint Boards of which they are constituent members. As a consequence, Argyll and Bute Council has additional liabilities arising from the pension deficits of:

- Strathclyde Police Board
- Strathclyde Fire Board

Further information regarding these deficits can be found in Note 6 to the Group Accounts on page 59.

STATEMENT ON INTERNAL CONTROL

In overall terms the Council has an adequate and effective system of internal control. There are however some areas where improvements are required and these are noted in the Statement on Internal Control on pages 8 to 9.

FUTURE OUTLOOK

The Council is not immune from the current economic climate. It is anticipated that the Council will face a significant challenge in terms of both service provision and funding over the next few years. A planning and performance management framework (PPMF) was adopted in 2008-09 and this will support the allocation of resources to priorities of the Council and help to drive improvement in performance. Risk management will be a key process for the Council going forward and a formal review of the financial risks facing the Council will be undertaken each quarter to assist in early identification and management of financial risks.

During 2009-10 the Council expects to complete the detailed design stage of its major change initiative, Process for Change. With a focus on customer management and workforce deployment, this along with a revised efficiency plan and financial strategy will be critical to ensuring the Council is well prepared for the difficult times ahead.

A handwritten signature in black ink, appearing to read 'Bruce West'.

Bruce West
Head of Strategic Finance
30 September 2009



Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

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

THE HEAD OF STRATEGIC FINANCE'S RESPONSIBILITIES

The Head of Strategic Finance is responsible for the preparation of the Council's Statement of Accounts, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice), are required to show a true and fair view of the financial position of the Council as at 31 March 2009 and its income and expenditure for the year ended on that date.

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

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

The Head of Strategic Finance has also:

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

This Statement of Accounts show a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

A handwritten signature in black ink, appearing to read 'Bruce West'.

Bruce West
Head of Strategic Finance
30 September 2009

This statement is given in respect of the statement of accounts for Argyll and Bute Council for the financial year ended 31 March 2009. The statement also covers the other bodies whose activities are incorporated into our Group Accounts, i.e.

- Strathclyde Joint Police board
- Strathclyde Fire and Rescue Joint Board
- Dunbartonshire and Argyll & Bute Valuation Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee

With respect to Argyll & Bute Council and the above named bodies, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal 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. Development and maintenance of the system is undertaken by managers within the Council and the above named bodies. In particular the system includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Council and the above named bodies;
- regular reviews by the Council and the above named bodies of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance; and
- the preparation of regular financial reports which indicate actual expenditure against the forecasts.

Argyll and Bute Council and the above named bodies have an internal audit function which operates to standards defined in the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The work of internal audit is informed by an analysis of the risk to which the Council and the above named bodies are exposed, and annual internal audit plans are based on the analysis. The Audit Committees of the above named bodies and this Council endorse the analysis of risk and the internal audit plans. At least annually, the Internal Audit Manager provides the Audit Committee with a report on internal audit activity in the Council. The report includes the Internal Audit Manager's independent opinion on the adequacy and effectiveness of the Council's systems of internal control.

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

- Directors and managers within the Council;
- Internal Audit as described above;
- External audit in their annual audit letter and other reports; and
- Statements of Internal Control provided by the above named bodies.

The following areas have been identified for further development by the Council:

- Implementation of the Council Improvement Plan approved in January 2009;
- Development of the Planning and Performance Management Framework including improved alignment of budgets and priorities, implementation of performance scorecards and embedding risk management;
- Implementation of the action plan on the Best Value Review of Strategic Finance which will further improve financial management and reporting;
- Improvements to arrangements for Asset Management including capital planning and monitoring;
- Improvement to project management based around use of Prince2 principles and a business case gateway approach;



Statement of Internal Control

- The ongoing development in accordance with the Code of Practice – Following the Public Pound;

In summary, the year-end outturn has resulted in a generally satisfactory position and Internal Audit's Annual Report and the Assurance Statements received from the named bodies, allow me to take comfort, that other than as outlined above, that reasonable assurance can be placed on the adequacy and effectiveness of the Council's Internal Control System.

A handwritten signature in black ink, appearing to read 'Bruce West'.

Bruce West
Head of Strategic Finance
30 September 2009

1. INTRODUCTION

The Financial Statements for the year ended 31 March 2009 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (the SORP). It is designed to “present fairly” the financial performance and position of the Council and comparative figures for the previous financial year are provided. There are no significant departures from these recommendations.

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

The accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of fixed assets. The following accounting policies used in its preparation have been reviewed in line with changes made to the ACOP following the introduction of Financial Reporting Standard, FRS 18 “Accounting Policies”.

2. MAJOR CHANGES IN ACCOUNTING PRACTICE

There were no major changes arising from the 2008 SORP.

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 and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as work in progress on the balance sheet.
- Interest payable and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or expenditure.

4. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 – Scotland (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; and
- Non Distributed costs – the cost of discretionary benefits awarded to employees retiring early.

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

5. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

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

6. RETIREMENT BENEFITS

The Council participates in two different pension schemes which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

6.1 Teachers

This is an unfunded scheme administered by the Scottish Government. This means that liabilities for the benefits provided cannot be identified by the Council. The scheme is therefore accounted for as if it were a defined contributions scheme where no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to the Scottish Government in the year.

6.2 Local Government Pension Scheme

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. This pension scheme is accounted for as a defined benefits scheme:

- The liabilities of the Strathclyde Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the indicative rate of return on a “high quality corporate bond of equivalent term and currency to the liability” (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years))

The assets of the Strathclyde 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 and allocated to the revenue accounts of services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the 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 an average of the expected long term return – credited to 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 Strathclyde 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 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.

6.3 Discretionary Benefits

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

7. 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.

8. 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.

8.1 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.

8.2 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:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- Infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the 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, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

8.3 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.

8.4 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 the disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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 accounting arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

8.5 Depreciation

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

The Council depreciates its fixed assets on a straight line basis (with the exception of certain IT equipment, which is based on a reducing balance) over the expected life of the asset, after allowing for the residual value of an asset as follows:

Operational Buildings	-	20 – 50 years
Non-Operational Buildings	-	21 – 50 years
Infrastructure	-	40 years
Vehicles	-	4 – 20 years
Plant and Equipment	-	3 – 10 years
Vessels	-	25 years

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

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

8.6 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 relevant assets in the relevant service revenue account, in line with the depreciation policy applied to them.

9. 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
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service

- Amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. These transactions are reversed out through the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

10. LEASES

10.1 Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council. Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset (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 the rent becomes payable) and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as rent 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.

10.2 Operating Leases

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

11. 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 value 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 repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of the 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.

12. STOCK AND WORK IN PROGRESS

Stocks are included on 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.

13. 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 when the authority becomes aware of the obligation, based on the best estimate of 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, the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party, this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

14. RESERVES

Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in the 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 net 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 above.

15. VALUE ADDED TAX (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.

16. INTERESTS IN COMPANIES AND OTHER ENTITIES

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

17. PRIVATE FINANCE INITIATIVE (PFI)

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

17.1 Prepayments

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

Dowry payments, made at the start of the contract, which result in lower unitary payments over the life of the contract are accounted for by setting up the contribution (dowry) as a prepayment for services receivable and writing the balance down to revenue over the life of the contract as services are received to reflect their real cost.

17.2 Reversionary Interests

The Council has passed control of certain land and buildings over to the PFI contractor, but this property will return to the council at the end of the scheme (reversionary interests). An assessment has been made of the net present value that these assets will have at the end of the scheme (unenhanced) and a reversionary interest asset has been created in the Council's Balance Sheet.

As the asset is stated initially at net present value, over the life of the scheme, the discount will need to be unwound by earmarking (decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interests revert to the council.

17.3 Residual Interests

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

17.4 PFI Credits

Government grants received for PFI Schemes, in excess of current level of expenditure, are carried forward as an earmarked reserve within the General Fund Balance to fund future contract expenditure.

Income and Expenditure Account

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

2007/08 Net Expenditure £'000	Service	Note	2008/09		
			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
88,422	Education Services		107,979	8,520	99,459
1,794	Housing Services (Non-HRA)		38,117	24,988	13,129
9,831	Cultural and Related Services		11,384	2,426	8,958
15,595	Environmental Services		22,278	4,393	17,885
16,810	Roads and Transport Services		20,296	1,434	18,862
1,676	Trading Services		6,636	4,921	1,715
4,048	Planning and Development Services		7,915	3,190	4,725
42,971	Social Work		56,801	9,410	47,391
	Central Services:				
4,780	- Corporate and Democratic Core		5,778	308	5,470
870	- Non Distributed Costs		734	11	723
2,373	- Central Services to the Public		3,207	1,385	1,822
1,272	- Other Operating Income and Expenditure	1	1,290	-	1,290
9,823	Strathclyde Police Joint Board		10,256	-	10,256
5,456	Strathclyde Fire and Rescue Joint Board		5,829	-	5,829
205,721	Net Cost of Services		298,500	60,986	237,514
5,291	Net (Gain)/loss on Disposal of Fixed Assets				1,429
-	(Surplus)/deficit on trading undertakings				(93)
13,274	Interest Payable and Similar charges				13,281
(3,560)	Interest and Investment Income				(4,808)
(3,845)	Pension Interest Cost and Expected Return on Pension Assets				(574)
216,881	Net Operating Expenditure				246,749
142,282	General Government Grants				174,047
33,171	Non-domestic Rates Redistribution				35,058
46,493	Council Tax Income				45,811
221,946	Total Income				254,916
5,065	Surplus for the Year				8,167



Statement of Movement on the General Fund Balance

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

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

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

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

2007/08 £'000		2008/09	
		£'000	£'000
5,065	Surplus for the Year on the Income and Expenditure Account		8,167
888	Net Additional amount required by statute or non-statutory proper practice to be (debited) or credited to the General Fund for the year <i>(See Supplement)</i>		(6,546)
5,953	Increase/(Decrease) in General Fund Balance for the Year		1,621
24,798	Closing General Fund Balance at 31 March	31,006	
(7,528)	Transition Adjustments to comply with SORP 2007	-	
7,528	Transfer from the Financial Instruments Adjustment Account	-	
30,751	Restated General Fund Balance at 1 April 2008		31,006
255	Transfer of HRA Balance		-
31,006	Balance on General Fund Carried Forward		32,627

Statement of Movement on the General Fund Balance

Supplement Note to the Statement of Movement on the General Fund Balance

2007/08 £'000		2008/09	
		£'000	£'000
	<i>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</i>		
38	Amortisation of Intangible Fixed Assets	75	
18,559	Depreciation and Impairment of Fixed Assets	18,290	
(1,850)	Amortisation of Deferred Government Grants	(1,791)	
(398)	Capital Element of Finance Lease Payments	(356)	
(650)	Capital Element of Schools NPDO Payment	(1,615)	
5,291	Net Gain or Loss on Sale of Assets	1,429	
(414)	Expenditure Accounts and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt.	(364)	
(2,436)	Net Charges made for retirement benefits in accordance with FRS 17	(3,165)	
18,140			12,503
	<i>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</i>		
(17,793)	Loans fund principal repayments	(19,222)	
-	Capital expenditure charged in year to the General Fund Balance	(714)	
(17,793)			(19,936)
	<i>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</i>		
541	Transfer to/from Other Funds	887	
541			887
888	Net Additional amount required to be credited/(debited) to the General Fund Balance for the year		(6,546)




Statement of Total Recognised Gains and Losses

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

2007/08 £'000		2008/09 £'000
5,065	Surplus on the Income and Expenditure Account	8,167
13,559	Surplus Arising on Revaluation of Fixed Assets	7,707
31,748	Actuarial (Loss)/Gain on Pension Assets and Liabilities	(35,084)
(7,528)	Any Other (Losses) required to be included	-
42,844	Total Recognised (Losses)/Gains	(19,210)

31 March 2008 £'000	Note	31 March 2009	
		£'000	£'000
	Fixed Assets		
194	<i>Intangible Assets</i>		308
	<i>Tangible Fixed Assets</i>		
	Operational Assets	14.1	
169,347	- Other Land and Buildings		173,719
6,206	- Vehicles, Plant, Furniture and Equipment		5,550
112,629	- Infrastructure Assets		132,244
1,964	- Community Assets		2,051
	Non-operational Assets	14.2	
6,682	- Investment Property		6,843
21,233	- Assets Under Construction		14,568
15,573	- Surplus Assets, held for Disposal		14,318
333,828	Total Fixed Assets		349,601
1,657	Long-Term Debtors	17	3,229
335,485	Total Long Term Assets		352,830
	Current Assets		
245	Stocks and Work in Progress		108
20,295	Debtors	18	22,558
5,000	Investments		10,000
38,380	Cash and Bank		35,830
399,405	Total Assets		388,660
	Current Liabilities		
(559)	Borrowing Repayable on Demand or within 12 Months	20	(11,061)
(35,680)	Creditors	19	(34,699)
(3,972)	Bank Overdraft		(5,850)
359,194	Total Assets less Current Liabilities		337,050
(187,476)	Borrowing Repayable within a Period in Excess of 12 Months	20	(145,724)
(49,485)	Government Grants - Deferred	21	(60,629)
(5,971)	Provisions	22	(1,959)
(1,822)	Deferred Liabilities	23	(1,589)
(598)	Liability related to Defined Benefit Pension Schemes	28	(32,517)
113,842	Total Assets less Liabilities		94,632
	Financed by:		
13,559	Revaluation Reserve	30.1	20,056
72,050	Capital Adjustment Account	30.2	77,039
2,681	Useable Capital Receipts Reserve	30.3	2,762
1,356	Capital Fund	30.4	871
(598)	Pensions Reserve	30.5	(32,517)
(7,114)	Financial Instruments Adjustment Account	30.6	(6,750)
902	Repairs and Renewals Funds	30.7	544
31,006	General Fund Balance	30.8	32,627
113,842	Total Net Worth		94,632

The unaudited accounts were issued on 26 June 2009 and the audited accounts were authorised for issue on 30 September 2009.


 Bruce West, Head of Strategic Finance
 30 September 2009

2007/08 In/(Out) £'000		Note	2008/09 In/(Out) £'000
	REVENUE ACTIVITIES		
	<i>Cash outflows</i>		
126,550	Cash Paid to and on Behalf of Employees		136,580
106,688	Other Operating Cash Payments		123,025
17,857	Housing Benefit Paid Out		18,848
16,843	Precepts Paid		17,219
-	National Non-domestic Rate Payments to National Pool		2,112
267,938			297,784
	<i>Cash inflows</i>		
1,046	Rents (after rebates)		1,010
39,732	Council Tax Income		40,577
33,345	Non-domestic Rate Receipts		34,852
142,283	Revenue Support Grant		171,945
22,435	DWP Grants for Benefits		24,810
29,763	Other Government Grants	31	7,444
22,035	Cash Received for Goods and Services		22,090
1,213	National Non-domestic Rate Payments from National Pool		-
6,677	Other Operating Cash Receipts		10,428
298,529			313,156
30,591	Net Cash Inflow From Revenue Activities	32	15,372
	SERVICING OF FINANCE		
	<i>Cash outflows</i>		
10,598	Interest paid		11,182
20	Interest element of finance lease		108
10,618			11,290
	<i>Cash inflows</i>		
1,285	Interest received		2,866
1,285			2,866
(9,333)	Net Cash (Outflow) From Servicing of Finance		(8,424)
	CAPITAL ACTIVITIES		
	<i>Cash outflows</i>		
27,676	Purchase of Fixed Assets		20,393
27,676			20,393
	<i>Cash inflows</i>		
2,616	Sale of Fixed Assets		786
13,999	Capital Grants Received		12,157
43	Other Capital Cash Receipts		19
16,658			12,962
(11,018)	Cash (Outflow) From Capital		(7,431)
10,240	Net Cash Inflow / (Outflow) Before Financing		(483)
	MANAGEMENT OF LIQUID RESOURCES		
(5,000)	Net (Increase) / Decrease in Short Term Deposits		(5,000)

Continued from previous page.

2007/08 In/(Out) £'000		Note	2008/09 In/(Out) £'000
	FINANCING		
	<i>Cash outflows</i>		
68,795	Repayments of Amounts Borrowed		69,884
398	Capital element of Finance Lease Rental Payments		356
69,193			70,240
	<i>Cash inflows</i>		
98,626	New Loans Raised		38,629
98,626			38,629
29,433	Net Cash Inflow / (Outflow) From Financing		(31,611)
34,673	Net Increase / (Decrease) in Cash	33	(37,094)

1. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.290m shown in the Other Operating Income and Expenditure line on the Income and Expenditure Account consists entirely of the requisition paid to Dunbartonshire and Argyll & Bute Joint Valuation Board.

2. SIGNIFICANT TRADING ORGANISATIONS

Details of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations are as follows:

2.1 Roads and Lighting Trading Account

The Council runs its Roads and Lighting Service on the basis of agreements concluded between the Service Managers, the relevant Council Departments and external organisations. The Service maintains the road network throughout Argyll and Bute excluding Trunk Roads (which are the responsibility of the Scottish Government). The trading objective is to break-even over a three year period.

Roads and Lighting Trading Account	2006/07	2007/08	2008/09	2008/09
	Actual £'000	Actual £'000	Actual £'000	3 year Cumulative £'000
Turnover	11,621	13,229	16,008	40,858
Expenditure	11,413	13,161	15,471	40,045
Net Deficit/Surplus	208	68	537	813

2.2 Catering and Cleaning Trading Account

The Council runs its Catering and Cleaning Service on the basis of agreements concluded between the Service Managers, the relevant Council Departments and external organisations. The Service provides Catering and Cleaning to all Schools and Council Offices as well as providing a Cleaning Service to external clients such as Police Stations and Outdoor Centres. The trading objective is to break-even over a three year period. A deficit has arisen over the three year period due to equal pay settlements and single status implementation which were budgeted for centrally rather than against each cost centre.

Catering and Cleaning Trading Account	2006/07	2007/08	2008/09	2008/09
	Actual £'000	Actual £'000	Actual £'000	3 year Cumulative £'000
Turnover	7,106	7,002	8,010	22,118
Expenditure	8,165	8,015	7,055	23,235
Net Deficit/Surplus	(1,059)	(1,013)	955	(1,117)

3. LOCAL GOVERNMENT ACT 1986 – SEPARATE PUBLICITY ACCOUNT

The Council is required under Section 5 of the Act to maintain a separate account for publicity. Expenditure of £0.459m was incurred during 2008-09 and is included within service expenditure as follows:

Publicity	2008/09	2007/08
	Actual £'000	Actual £'000
Staff Advertising	217	273
Leaflets and publications	17	11
Statutory notices	118	133
Other	107	147
Total	459	564

4. AGENCY INCOME

The Council have an ongoing agency agreement with Scottish Water to collect domestic water and sewerage charges. During 2008-09 income from this agreement amounted to £0.239m.

Agency Income	2008/09 Actual £'000	2007/08 Actual £'000
Scottish Water	239	239
Total	239	239

5. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Income from these services amounted to £0.731m and the related expenditure was £0.760m. The goods and services provided during the year were as follows:

Name of Body	Purpose of Work	Income £'000	Expenditure £'000
North Lanarkshire Council	Cleaning and Catering - Kilbowie OC	206	173
Strathclyde Police	Cleaning of Police Stations	121	71
Various Public Bodies	Grounds Maintenance	22	19
Various Councils	Provision of SEN Assistant Support	63	63
NHS Highland	Provision of Care for the Elderly	132	241
Glasgow City Council	Provision of Care for the Elderly	37	47
West Dunbartonshire Council	Section 23 Payments - Out of Authority Pupils	150	146
Total		731	760

6. COMMUNITY CARE HEALTH (SCOTLAND) ACT 2002

The Council has a joint working arrangement with NHS Highland whereby it provides certain types of care of the elderly and services for those with learning disabilities or mental health problems. During 2008-09 income from this source amounted to £3.956m and the related expenditure was £5.452m. These sums can be analysed as follows:

Purpose of Services	Income £'000	Expenditure £'000
Care of the Elderly	1,130	1,707
Provision of Services for People with Learning Disabilities	2,189	3,106
Provision of Services for People with Mental Health Needs	637	639
Total	3,956	5,452

7. MEMBERS' ALLOWANCES

The total amount of members' allowances paid by the Council during the year was:

Members Allowances	2008/09 Actual £'000	2007/08 Actual £'000
Basic Allowance	381	359
Special Responsibility Allowance	272	259
Total Allowances	653	618

8. OFFICERS' EMOLUMENTS

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

Range £	2008/09 Number of Officers	2007/08 Number of Officers
£50,000 - £59,999	14	14
£60,000 - £69,999	12	12
£70,000 - £79,999	4	3
£80,000 - £89,999	3	2
£90,000 - £99,999	1	1
£100,000 - £109,999	1	-
Total	35	32

9. WASTE MANAGEMENT PUBLIC PRIVATE PARTNERSHIP

The Council has entered into a Public Private Partnership for the provision of its waste disposal service. This agreement requires the provider to upgrade or replace three waste disposal sites, two transfer stations and five civic amenity sites. In addition, the provider will also provide composting facilities to meet waste diversion targets. When the agreement ends in September 2026 the provider will hand back to the Council the waste disposal facilities with a life of 5 years.

The Council has paid a service charge of £5.401m (2007/08 - £5.254m) which represents the value of the service provided from 1 April 2008 to 31 March 2009. Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2009 - 2012	16,205
2012 - 2017	28,265
2017 - 2022	31,396
2022 - 2027	29,980
Total	105,846

This equates to £5.535m per annum over the life of the contract.

10. SCHOOLS NON PROFIT DISTRIBUTING ORGANISATION

During 2007-08 the ten schools on five sites developed as part of the non profit distribution organisation (NPDO) variant of a public private partnership became operational. When the agreement ends in 2035 the provider will hand the five school complexes back to the Council, it is expected at that point in time each school will have an estimated life of 30 years remaining.

The Council has paid a service charge of £12.706m (2007/08 - £5.414m) which represents the value of the service provided from 1 April 2008 to 31 March 2009. Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2009 - 2014	66,285
2014 - 2019	69,786
2019 - 2024	73,572
2024 - 2029	77,855
2029 - 2034	82,700
2034 - 2035	8,588
Total	378,786

This equates to £11.466m per annum over the life of the contract.

11. FEES PAYABLE TO AUDIT SCOTLAND

In 2008-09 the following fees relating to external audit and inspection were incurred:

Auditor's Remuneration	2008/09 £'000	2007/08 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed Auditor	288	293
Total Remuneration	288	293

12. RELATED PARTY TRANSACTIONS

During the year transactions with related parties arose as follows:

Central Government and Agencies		Income £'000	Expenditure £'000
Revenue Grants:	Revenue Support Grant	174,047	
	Scottish Government Specific Grants	1,668	
	Non-Domestic Rates	35,058	
	Housing Benefit Subsidy	18,546	
	Council Tax Benefit Subsidy	5,645	
	Other Government Grants	2,165	
Total		237,129	
Capital Grants:	European Grants	613	
	AIE - Argyll Air Services	1,049	
	Community Council	95	
	General Capital Grant	5,618	
	Other Government Capital Grants	5,560	
Total		12,935	

12. RELATED PARTY TRANSACTIONS CONT'D

Related Bodies:	Income £'000	Expenditure £'000
Transactions with related bodies during the year totalled	795	21,472
<i>Of these, transactions with the following exceeded £10,000:</i>		
Joint Boards		17,441
Strathclyde Partnership for Transport		715
Argyll, the Isles, Loch Lomond, Stirling and the Trossachs Tourist Board		205
Convention of Scottish Local Authorities (COSLA)		83
Cowal Council on Alcohol and Drugs		113
Dunoon and Cowal Youth Project		15
Helensburgh Addiction Rehabilitation Team		87
Islay and Jura Community Enterprise		98
Kintyre Alcohol and Drugs Advisory Service		24
Mid Argyll Community Enterprise		47
Criminal Justice Partnership	795	771
NHS		1,495
Oban Addiction Support and Information Services (OASIS)		44
Oban and Lorn Community Enterprise - Atlantis Leisure		400
Oban Youth and Community Association		15
Total	795	21,553

Transactions in which Members have a significant interest	Income £'000	Expenditure £'000
During the year there was one company in which members had a significant interest and where the total of transactions exceeded £10,000.		
<i>This was as follows:</i>		
Trident Taxis		69

13. MOVEMENT IN INTANGIBLE FIXED ASSETS

	Purchased Software Licences 2008/09 £'000
Cost or Valuation	
At 1 April 2008	260
Additions	79
Disposals	-
Reclassifications	110
At 31 March 2009	449
Depreciation and Impairments	
At 1 April 2008	(66)
Charge for 2008/09	(75)
At 31 March 2009	(141)
Balance Sheet amount at 1 April 2009	308
Balance Sheet amount at 1 April 2008	194

14. FIXED ASSETS

14.1 Movement in Operational Fixed Assets

	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Total 2008/09 £'000
Cost or Valuation					
At 1 April 2008	184,897	14,357	139,499	1,964	340,717
Additions	10,055	1,269	12,793	5	24,122
Disposals	(1,713)	(1,093)	-	-	(2,806)
Reclassifications	(1,933)	354	12,522	90	11,033
Revaluations	(3,358)	-	-	-	(3,358)
At 31 March 2009	187,948	14,887	164,814	2,059	369,708
Depreciation and Impairments					
At 1 April 2008	(15,550)	(8,151)	(26,870)	-	(50,571)
Charge for 2008/09	(8,801)	(2,190)	(5,034)	-	(16,025)
Disposals	394	1,004	-	-	1,398
Reclassifications	674	-	(666)	(8)	-
Revaluations	9,054	-	-	-	9,054
At 31 March 2009	(14,229)	(9,337)	(32,570)	(8)	(56,144)
Balance Sheet amount at 1 April 2009	173,719	5,550	132,244	2,051	313,564
Balance Sheet amount at 1 April 2008	169,347	6,206	112,629	1,964	290,146

14.2 Movement in Non-Operational Fixed Assets

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Total 2008/09 £'000
Cost or Valuation				
At 1 April 2008	6,682	21,233	23,228	51,143
Additions	41	4,675	54	4,770
Disposals	(123)	(251)	(4,917)	(5,291)
Reclassifications	(44)	(11,089)	(10)	(11,143)
Revaluations	287	-	38	325
At 31 March 2009	6,843	14,568	18,393	39,804
Depreciation and Impairments				
At 1 April 2008	-	-	(7,655)	(7,655)
Charge for 2008/09	-	-	(587)	(587)
Disposals	-	-	4,159	4,159
Revaluations	-	-	8	8
At 31 March 2009	-	-	(4,075)	(4,075)
Balance Sheet amount at 1 April 2009	6,843	14,568	14,318	35,729
Balance Sheet amount at 1 April 2008	6,682	21,233	15,573	43,488

14.3 Valuation of Operational Fixed Assets

During the current year, revaluations on operational land and buildings were carried out by Hugh Blake, M.R.I.C.S., Estates Manager for Argyll and Bute Council, in accordance with the Council's rolling programme of revaluations. The basis of valuation is set out in the Statement of Accounting policies.

The following statement shows the progress of the Council's rolling programme for the revaluation of operational fixed assets:

	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Total 2008/09 £'000
Valued at historical Cost		5,550	132,244	2,051	139,845
Valued at Current Value in:					
2008/2009	70,383				70,383
2007/2008	29,026				29,026
2006/2007	16,485				16,485
2005/2006	22,906				22,906
2004/2005	34,919				34,919
Total	173,719	5,550	132,244	2,051	313,564

14.4 Valuation of Non-Operational Fixed Assets

During the current year, revaluations on non-operational land and buildings were carried out by Hugh Blake, M.R.I.C.S., Estates Manager for Argyll and Bute Council, in accordance with the Council's rolling programme of revaluations. The basis of valuation is set out in the Statement of Accounting policies.

The following statement shows the progress of the Council's rolling programme for the revaluation of non-operational fixed assets:

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Total 2008/09 £'000
Valued at Historical Cost		14,568		14,568
Valued at Current Value in:				
2008/2009	1,648		280	1,928
2007/2008	819		616	1,435
2006/2007	2,475		3,322	5,797
2005/2006	1,283		9,658	10,941
2004/2005	618		442	1,060
Total	6,843	14,568	14,318	35,729

14.5 Fixed Assets Information on Assets Held on 31 March 2009

	Number of Properties	
	2008/09	2007/08
OPERATIONAL BUILDINGS		
Administrative Buildings	47	48
Depots	33	33
Social Work Homes for the Elderly	7	7
Social Work Children's Homes	4	4
Hostels	5	6
Primary Schools	74	74
Secondary Schools	6	6
Special Schools	2	2
Nursery Schools	3	4
Halls	7	8
Swimming Pools	5	5
Museums and Libraries	10	10
Community Centres	8	8
Crematoria	1	1
Public Conveniences	74	77
Airports	1	1
OPERATIONAL EQUIPMENT		
Vehicles and Heavy Plant	243	260
INFRASTRUCTURE ASSETS		
Highways (miles)	1,406	1,406
Bridges	954	954
Car Parks	138	138
Vessels	5	5
COMMUNITY ASSETS		
Parks/Play Areas	62	62
Civic Regalia (Provosts' Chains)	4	4
Civic Regalia (Bailies' Chains)	1	1
Cemeteries	126	126
War Memorials	55	55
Works of Art	299	299

The above is a selection from the asset register of the main asset categories.

15. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

	2008/09 £'000	2007/08 £'000
Opening Capital Financing Requirement	199,638	199,721
<i>Capital Investment:</i>		
Operational Assets - Expenditure	23,999	13,363
Operational Assets - Finance Leases	123	-
Non-Operational Assets	4,770	20,776
Intangible Assets	79	76
Deferred Charges - Long Term Debtor	4	-
Total Capital Investment	28,975	34,215
<i>Sources of Finance:</i>		
Capital Receipts	(865)	(2,688)
Government Grants	(12,935)	(13,999)
Capital Financed from Current Revenue	(714)	-
Repayment of External Loans	(19,222)	(17,793)
Capital Element of Finance Lease Payments	(356)	(398)
Capital Receipts transferred to Capital Fund	860	1,356
Capital Receipts Used from Capital Fund	(713)	-
Other	(314)	(776)
Total Funding	(34,259)	(34,298)
Closing Capital Financing Requirement	194,354	199,638

16. FINANCE AND OPERATING LEASES

16.1 Finance Leases – Amounts Paid to Lessors

The Authority holds various vehicles under finance leases. The finance lease payment for the year amounted to £0.464m.

	2008/09 £'000	2007/08 £'000
Vehicles	464	418
Total	464	418

16.2 Operating Leases – Amounts Paid to Lessors

The Council uses land, buildings, vehicles, plant and equipment financed under the terms of an operating lease. The amounts paid under these arrangements in 2008-09 were as follows:

	2008/09 £'000	2007/08 £'000
Land and Buildings	219	193
Vehicles	1,530	1,598
Plant and Equipment	166	232
Total	1,915	2,023

16.3 Assets Held Under Finance Leases

The following values of assets are held under finance leases by the Council, accounted for as part of tangible fixed assets.

	Plant and Equipment £'000
Value at 1 April 2008	1,072
Additions	123
Depreciation	(356)
Value at 31 March 2009	839

Outstanding obligations to make payments under these finance lease (excluding finance costs) as at 31 March 2009, accounted for as part of long-term liabilities are as follows:

	Plant and Equipment £'000
Obligations payable within 1 year	351
Obligations payable between 1 and 5 years	488
Obligations payable after 2012/2013	-
Total Liabilities at 31 March 2009	839

16.4 Assets Held Under Operating Leases

The Council was committed at 31 March 2009 to making payments of £1.730m under operating leases in 2008-09 comprising the following elements:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
Leases expiring within 1 year	11	154
Leases expiring between 1 and 5 years	27	1,350
Leases expiring after 5 years	163	25
Value at 31 March 2009	201	1,529

17. LONG TERM DEBTORS

	31st March 2009 £'000	31st March 2008 £'000
House Loans	210	257
Car Loans	3	-
NPDO Residual Value (see note below)	2,266	650
Waste PPP Historic Contamination Fund	750	750
Total Long Term Debtors	3,229	1,657

It is estimated that at the end of the schools NPDO contract the net depreciated construction cost of premises returning to the Council will be £43.427m. Accounting arrangements require this sum to be recognised in the Council's Balance Sheet over the life of the contract, initially as a long-term debtor with the full value transferring to fixed assets at the end of the contract.

18. DEBTORS

		31 March 2009		31 March 2008	
		£'000	£'000	£'000	£'000
Arrears of Local Taxation	Council Tax	12,285		13,375	
	Less: Provision for Bad Debts	(9,855)		(10,204)	
			2,430		3,171
	Community Charge	7,554		7,559	
	Less: Provision for Bad Debts	(7,554)		(7,559)	
			-		-
	Non-Domestic Rates	1,041		1,123	
	Less: Provision for Bad Debts	(629)		(683)	
			412		440
Housing Benefits Overpayments		787		701	
Less: Provision for Bad Debts		(454)		(414)	
			333		287
Debtor Accounts		4,713		4,713	
Less: Provision for Bad Debts		(958)		(670)	
			3,755		4,043
VAT Recoverable			2,638		2,480
Other Debtors			12,990		9,874
Total Debtors			22,558		20,295

19. CREDITORS

	31st March	31st March
	2009	2008
	£'000	£'000
Loans Fund Interest	1,536	1,727
Accrued Payrolls and Superannuation	5,973	5,593
Accrued Employer's National Insurance Contributions and PAYE	2,423	2,618
Payables Liability	7,468	9,653
Accrued Expenditure	4,436	4,781
Other Creditors	12,863	11,308
Total Creditors	34,699	35,680

20. FINANCIAL INSTRUMENTS DISCLOSURES**20.1 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 and borrowing disclosed in the Balance Sheet are made up of the following categories of "financial instruments":

	Long Term 31st March 2009 £'000	Current 31st March 2009 £'000	Long Term 31st March 2008 £'000	Current 31st March 2008 £'000
Investments and Lending				
Loans and Receivables	963	35,989	1,007	63,714
Available-for-sale financial assets	-	-	-	-
Borrowing				
Financial Liabilities at amortised cost	145,724	51,498	187,113	39,995
Financial Liabilities at fair value through profit and loss	-	-	-	-

20.2 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) and are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- Estimated interest rates at 31 March 2009 for loans from the PWLB were taken from the appropriate interest rate notice and for other loans receivable and payable from market rates obtained by our treasury advisors.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31st March 2009		31st March 2008	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Lending				
Loans and Receivables	36,952	36,997	64,721	64,726
Borrowing				
Financial Liabilities	197,222	235,991	227,108	263,665

The fair value is greater than the carrying amount because the Council's lending figure includes a number of loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the loans.

The fair value is greater than the carrying amount because the Council's borrowing figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

20.3 Gains and Losses on Financial Instruments

There are no gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments.

20.4 Nature and Extent of Risks arising from Financial Instruments

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

20.5 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 UK 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 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.

	Amount at 31 March 2009 £'000	Historical Experience of Non- payment adjusted for Market Conditions at 31 March 2009 %	Estimated Maximum Exposure to Default and Uncollectibility £'000
Deposits with Banks, Building Societies and Local Authorities	13,164	-	-

The information in respect of the Council's debtors can be found in note 17 and 18.

20.6 Liquidity Risk

The Council main source of borrowing is the Treasury's Public Works Loans Board (PWLb). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowings 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 30% of the loans are due to mature within any financial year and 60% within a rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity analysis of financial liabilities is as follows:

	31st March 2009 £'000	31st March 2008 £'000
The maturity analysis of financial liabilities is as follows:		
Less than one year	11,061	559
Between one and two years	12,003	68
Between two and five years	9	5
More than five years	133,712	187,040

All other amounts due to the Council for council tax, non-domestic rates and other income are due to be paid in less than one year.

20.7 Market Risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charged on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer.

Changes in market rates also affect the notional "fair value" of lending and borrowing. For example, a rise in interest rates would reduce the "fair value" of both lending and borrowing at fixed rates. Changes in "fair value" of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the Accounts.

The Council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the Council.

It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 30% of what it borrows.

During periods of falling rates and where it is economically advantageous to do so, the Council will consider the repayment and restructuring of fixed interest rate debt.

The Council takes the daily advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructuring of existing borrowings.

Any potential for a financial impact on the Council is also significantly limited by the Scottish Government's grant distribution mechanism that automatically adjusts for changes in interest rates in the government grant support the Council receives for "loan charges".

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2009, with all other variables held constant.

	31st March 2009 £'000	31st March 2008 £'000
Impact on tax-payer		
Increase on interest payable on variable rate borrowings	123	162
Increase in interest receivable on variable rate lending	(100)	(50)
Increases in government grant receivable for "loan charges"	-	-
Net effect on Income & Expenditure Account	23	112

	31st March 2009 £'000	31st March 2008 £'000
Other accounting presentational changes		
A decrease in the "fair value" of fixed rate lending (disclosed in the STRGL)	-	-
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to notes to the core financial statements)	35,370	31,332

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

20.8 Price Risk

The Council has no investment classified as "available-for-sale".

20.9 Foreign Exchange Risk

The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

20.10 Short-Term Deposits

The short-term investments arise as a result of the timing of expenditure and associated income and movements in fund and revenue balances. The Council adopts a proactive but prudent approach to its Treasury Management operations, which are governed by the fully revised edition of CIPFA's Code of Practice on Treasury Management.

	31st March 2009 £'000	31st March 2008 £'000
Banks	13,164	38,380

20.11 Short-Term Borrowing

The Common Good and the various trust administered by the Council had monies temporarily invested with the Council's loans fund during the year. The amounts at 31 March 2009 are shown in the table below. Further details of the nature and amounts of the funds of the Common Good and trusts are shown in notes 26 and 27 on pages 40-41.

	31st March 2009 £'000	31st March 2008 £'000
Common Good	106	105
Trust Funds	1,195	1,143

21. DEFERRED GOVERNMENT GRANTS

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 relevant assets.

	Applied £'000	Unapplied £'000	Total £'000
Balance at 1 April 2008	(39,087)	(10,398)	(49,485)
Adjustment to Opening Analysis	(2,748)	2,748	-
Revised Opening Balance at 1 April 2008	(41,835)	(7,650)	(49,485)
Grants Received During the Year to Finance Capital Projects	(11,009)	(1,926)	(12,935)
Transfer to Applied Government Grants	(6,264)	6,264	-
Credit to Revenue Account During the Year	1,791	-	1,791
Balance at 31 March 2009	(57,317)	(3,312)	(60,629)

22. PROVISIONS

Liabilities have continued to arise in respect of the former Strathclyde Regional Council's operations. Cost sharing arrangements are in place with the other eleven authorities that make up the former Strathclyde Region. Argyll and Bute Council's share of liabilities, which materialise in the future, will be approximately 4.75%. At present, potential liabilities in respect of insurance claims and various legal actions could cost the Council £0.06m. Full provision for this amount has been made.

A provision was created at the end of 2005-06 in relation to the 9% of female employees in catering, cleaning and home care services who had not accepted the Council's equal pay settlement. No further employees settled during the year.

During 2007-08 the Council implemented a new Pay and Grading Model and also revised Terms and Conditions. A provision was created to meet the backdated pay element of the new pay and grading model and this provision was fully released during 2008-09. Some 580 staff have appealed the determination of their allocated grade under single status arrangements. If an appeal is successful then any pay differential is normally backdated to 1 April 2006. A provision for £0.768m has been created for the backdated pay element of those appeals that have been successful.

The Council reduced the discount on council tax from second homes to 10% during 2005-06. The additional council tax income invoiced during 2008-09 amounted to £1.787m; this amount is to be paid to registered social landlords to invest in social housing. A provision for cash not yet collected, due to be paid to registered social landlords, has been created amounting to £0.062m.

As within previous years, liabilities have also arisen in respect of employees who will be made redundant as a result of restructuring. In line with the SORP, the Council has raised valid expectations to those affected by announcing the features of the plan or actually starting to implement it.

Operational Services created a number of provisions during 2006-07. There are two main provisions that make up the large majority of the balance:

- Shanks do not have approval for their compost product from SEPA and if the composting was judged to be non-compliant, then Argyll and Bute Council would be required to pay a penalty for tonnage over the Biodegradable Municipal Waste limit.
- Shanks are progressing Pollution Prevention Control (PPC) Permit applications for Garbreck and Glengorm Landfill Sites and have advised that Argyll and Bute Council are potentially liable to meet the costs in relation to these applications.

These provisions comply with the requirements of Financial Reporting Standard 12 – “Provisions, Contingent Liabilities and Contingent Assets” and meets the following criteria:

- There is a present obligation (legal or constructive) as a result of a past event.
- It is probable that a transfer of economic benefit will be required to settle the obligation: and
- A reliable estimate can be made of the obligation.

	Opening Balance £'000	Movement in Year £'000	Closing Balance £'000
SRC Insurance Claims	(60)	-	(60)
Equal Pay Claims	(168)	-	(168)
Single Status Provision	(4,897)	4,129	(768)
Income due to Registered Social Landlords (Additional Council Tax on Second Homes)	(64)	2	(62)
Reorganisation Redundancy Costs	(201)	(119)	(320)
Operational Services - various provisions	(581)	-	(581)
Total Provisions	(5,971)	4,012	(1,959)

23. DEFERRED LIABILITIES

Deferred liabilities consist of liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. Deferred liabilities total £1.589m as at 31 March 2009 and comprise the following:

	Opening Balance £'000	Movement in Year £'000	Closing Balance £'000
Finance Lease Liability (See note 16.3 - Finance Leases)	(1,072)	233	(839)
Land Contamination	(750)	-	(750)
Total Deferred Liabilities	(1,822)	233	(1,589)

24. CONTINGENT GAINS AND LIABILITIES

The Council has a number of applications for equal pay at various stages of completion at Industrial Tribunals. The final outcomes of these applications are unknown at this time, although there is the possibility that the Council may lose at

least some of these cases. There is also the potential for other equal pay claims whose costs may be met by the Council. No financial provision has been made in the 2008-09 Accounts given the uncertainties that surround both the final outcomes and the settlement levels.

During 2007-08, the Council implemented a new Pay and Grading Model and also revised terms and conditions. However, some 580 staff have appealed the determination of their allocated grade under single status arrangements. If an appeal is successful then any pay differential is normally backdated to 1 April 2006. A provision has been set up for the backdated pay due to staff who have so far been successful with their appeals. The Council takes the view that it is too early to estimate the potential costs associated with the remaining appeals waiting to be heard, as the likelihood of their success cannot be known with any certainty.

During the 2006-07 financial year the Council transferred its housing stock to Argyll Community Housing Association (ACHA). Some council houses involved in the transfer had been built on land not owned by the Council. The transfer agreement requires the Council to purchase this land and transfer it to ACHA at nil cost. A price has yet to be negotiated with the landowners and therefore a reliable estimate cannot be made of the obligation at this stage.

25. COMMITMENTS UNDER CAPITAL CONTRACTS

At 31 March 2009, the Council had commitments on capital contracts of £8.629m. This expenditure will be funded from a combination of government grants, borrowing, income from selling assets and contributions from Revenue Accounts.

	£'000
ICT and Financial Services	95
Community Services	4,459
Infrastructure and Transport	3,803
Operational Services	272
Total	8,629

26. TRUST FUNDS AND OTHER THIRD PARTY FUNDS

The Council acts as sole or custodian trustee for 75 trust funds. The funds do not represent assets of the Council, and as such have not been included in the Balance Sheet.

Funds for which Argyll and Bute Council act as sole trustee:

	Income £'000	Expenditure £'000	Net Assets £'000	Reserves £'000
Argyll Education Trust	16	9	306	306
GM Duncan Trust	4	1	89	89
McDougall Trust	22	-	597	597
Various Other Trust Funds	21	2	514	514
Total Trust Funds	63	12	1,506	1,506

Argyll Education Trust: this is made up of a number of small trusts to award prizes, bursaries, etc. to pupils and ex-pupils of schools within the former Argyll County Council area. GM Duncan Trust: for the provision of fuel, clothing and foodstuffs for the needy of Campbeltown. McDougall Trust: for the provision of sheltered housing on the Ross of Mull.

Further information on the Trust Funds, administered by Argyll and Bute Council, can be obtained from Strategic Finance within the Chief Executive's Unit.

27. COMMON GOOD FUNDS

The Council administers the Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilphead, Inveraray and Helensburgh. The figures below summarise the aggregate income and expenditure for the year as well as providing a snapshot picture of the assets and liabilities at 31 March 2009. The Common Good Funds are for the benefit of the geographical areas of the former burghs. Further information on the Common Good Funds can be obtained from Strategic Finance within the Chief Executive's Unit.

27.1 Common Good Income and Expenditure Account for the year ended 31 March 2009

2007/08 Actual £'000		2008/09 Actual £'000
120	Expenditure	107
(112)	Income	(95)
8	Deficit for the Year	12

27.2 Common Good Balance Sheet at 31 March 2009

2007/08 Actual £'000		2008/09 Actual £'000
50	Tangible Fixed Assets	50
1,801	Investments	1,301
181	Current Assets	171
(5)	Current Liabilities	(14)
2,027	Total Assets less Liabilities	1,508
175	Revaluation Reserve	-
1,852	Common Good Fund	1,508
2,027	Total Net Worth	1,508

28. PENSIONS ASSETS AND LIABILITIES – FRS17 DISCLOSURE

In accordance with Financial Reporting Standard 17 – “Retirement Benefits (FRS17)” the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. However, the Council is not required to record such information for the Teachers Pensions Scheme as the liability for payment of pensions rest ultimately with the Scottish Government.

28.1 Change of Accounting Policy

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from a pension asset of £0.818m to a pension liability of £0.598m, a decrease of £1.416m. The prior year comparatives have been restated for this change in accounting policy.

28.2 Accrued Pensions Contribution

Due to the timing of salary processing, not all employee and employer contributions have been paid to the Pensions Schemes by the 31 March 2009. These payments have been accrued and are included within the creditors figure on the balance sheet. These have been paid during April 2009. The amounts are as follows:

- Local Government Pension Scheme – £1.024m
- Teachers’ scheme – £0.610m

28.3 Transactions in Respect of the Local Government Pensions Scheme

The Local Government Pension Scheme is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension's liabilities and investment assets. The Strathclyde Pension Fund Office oversees the operation of this scheme. The contributions are based on rates determined by the Fund's professionally qualified actuary and based on triennial valuations of the Fund.

The latest formal valuation of the Strathclyde Pension Fund for funding purposes was at 31 March 2008. The independent actuaries appointed by the Council are Hymans Robertson and they have assumed that employees have continued to earn new benefits on the same basis as the latest formal valuation and that the employer's pensionable payroll over the year to 31 March 2009 remains substantially stable with new entrants replacing any leavers.

We recognise the cost of retirement benefits 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out 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:

	2008/09 £'000	2007/08 £'000
Net Cost of Services:		
Current Service Cost	7,654	10,293
Past Service Cost	279	221
Settlements and Curtailments	175	498
Net Operating Expenditure:	8,108	11,012
Interest Cost	22,607	20,018
Expected Return on Employer Assets	(23,181)	(23,863)
Net Charge to the Income and Expenditure Account	7,534	7,167
Statement of Movement on the General Fund Balance:		
Reversal of net charges made for retirement benefits in accordance with FRS17	3,165	2,436
Actual Amount charged against Council Tax for pension in the year:		
Employer's Contributions Payable to the Scheme	10,699	9,603

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £35.084m (£33.164m gain in 2007-08 as restated) were included in the Statement of Total Recognised Gains and Losses.

28.4 Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of defined benefit obligation:

	2008/09 £'000	2007/08 £'000
Defined Benefit Obligation at 1 April	325,814	368,549
Current Service Cost	7,654	10,293
Interest Cost	22,607	20,018
Contributions by Scheme Participants	3,268	2,996
Actuarial (Gains) and Losses	(56,347)	(67,159)
Estimated Unfunded Benefits Paid	(1,474)	(1,403)
Estimated Benefits Paid	(12,295)	(8,199)
Losses on Curtailments	175	498
Past Service Costs	279	221
Defined Benefit Obligation at 31 March	289,681	325,814

Reconciliation of fair value of the scheme assets:

	2008/09 £'000	2007/08 £'000
Fair Value of Employer Assets at 1 April	325,216	332,321
Expected Rate of Return	23,181	23,863
Actuarial Gains and (Losses)	(91,431)	(33,965)
Employers Contributions	10,699	9,603
Contributions by Scheme Participants	3,268	2,996
Estimated Unfunded Benefits Paid	(1,474)	(1,403)
Estimated Benefits Paid	(12,295)	(8,199)
Fair Value of Employer Assets at 31 March	257,164	325,216

The above asset values are at bid value as required under FRS17. The historic asset figures have been restated at bid value.

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

The actual return on scheme assets in the year was £23.1m (2007-08: £23.9m).

28.5 Scheme History

Local Government Pension Scheme	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000
Present Value of Scheme Liabilities	(322,136)	(374,999)	(368,549)	(325,814)	(289,681)
Fair Value of Assets	240,665	307,978	332,321	325,216	257,164
(Deficit) in the Scheme	(81,471)	(67,021)	(36,228)	(598)	(32,517)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £9.7m.

28.6 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 the assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

	2008/09 %	2007/08 %
Long Term expected rate of return on assets in the scheme:		
Equity Investments	7.0%	7.7%
Bonds	5.4%	5.7%
Property	4.9%	5.7%
Cash	4.0%	4.8%

Mortality assumptions		2008/09 Years
Longevity at 65 for current pensioners:	Men	20.3
	Women	23.2
Longevity at 65 for future pensioners:	Men	21.7
	Women	24.6

Financial Assumptions	2008/09 %	2007/08 %
Rate of Inflation	3.1%	3.6%
Rate of Increase in Salaries	4.6%	5.1%
Rate of Increase in Pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

28.7 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008-09 can be analysed into the following categories:

Local Government Pension Scheme Scheme	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000
Experience gains and losses on assets	8,139	48,769	255	(33,965)	(91,431)
Experience gains and losses on liabilities	(3,449)	9,656	1,071	146	35,766

29. TEACHERS PENSIONS – ADMINISTERED BY SCOTTISH PUBLIC PENSIONS AGENCY

This is an unfunded scheme administered by the Scottish Government. The pension cost charged in the accounts is the contribution rate set by the Scottish Government on the basis of a notional fund.

	2008/09	2007/08
Amount Paid Over (£'000)	4,768	4,672
Rate of Contribution (%)	12.50%	12.50%
Amount of Added Years Awarded by the Council (£'000)	528	559

30. DETAILS OF MOVEMENTS ON RESERVES

30.1 Revaluation Reserve

The revaluation reserve records unrealised revaluation gains arising since 1 April 2007 from holding fixed assets.

Revaluation Reserve	£'000
Balance at 1 April 2008	13,559
Revaluations of Fixed Assets	7,707
Transfer to Capital Adjustment for Depreciation on Revalued Assets	(1,210)
Balance at 31 March 2009	20,056

30.2 Capital Adjustment Account

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system.

Capital Adjustment Account	£'000	£'000
Balance at 1 April 2008		72,050
Appropriations: Amortisation of Intangible Fixed Assets	(75)	
Depreciation and Impairment of Fixed Assets	(18,290)	
Amortisation of Deferred Government Grants	1,791	
Capital Element of Finance Lease Payments	356	
Capital Element of Schools NPDO Payment	1,615	
Write off of Net Book Value on Disposal of Fixed Assets	(2,289)	
Capital Financed from Current Revenue	714	
Loans fund principal repayments	19,222	
		3,044
Transfer from Capital Fund		713
Transfer from Useable Capital Receipts Reserve		22
Transfer from Revaluation Reserve for Depreciation on Revalued Assets		1,210
Balance at 31 March 2009		77,039

It should be noted and stressed that both the Capital Adjustment Account and the Revaluation Reserve are matched by fixed assets within the Balance Sheet; they are not resources available to the Council.

30.3 Useable Capital Receipts Reserve

During the 2006-07 financial year and prior to the transfer of the Council's housing stock during November 2006 the receipts from the sale of council houses were transferred to the Useable Capital Receipts Reserve. The amounts held in this reserve can only be used for social housing capital expenditure. The movement in the Useable Capital Receipts Reserve during 2008-09 is as follows:

Useable Capital Receipts Reserve	£'000
Balance at 1 April 2008	2,681
Interest Earned	103
Transfer to Capital Adjustment Account	(22)
Balance at 31 March 2009	2,762

30.4 Capital Fund

During the 2007-08 financial year the Council established a Capital Fund under Section 22 of Schedule 3 of the Local Government (Scotland) Act 1975. All receipts from capital disposals are to be paid into this fund with effect from 14 February 2008. The movement in the Capital Fund during 2008/09 is as follows:

	£'000
Balance at 1 April 2008	1,356
Proceeds of Disposals	860
Transfer to Capital Adjustment Account	(713)
Contribution to Loans Fund Charges	(675)
Interest Earned	43
Balance at 31 March 2009	871

30.5 Pensions Reserve

The movement in the Pensions Reserve during 2008-09 is as follows:

Pension Reserve	£'000
Balance at 1 April 2008	(598)
Transfer to Revenue	3,165
Actuarial Loss in Pension Plan	(35,084)
Balance at 31 March 2009	(32,517)

30.6 Financial Instruments Adjustment Account

The financial Instruments Adjustment Account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early payment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

Financial Instruments Adjustment Account	£'000
Balance at 1 April 2008	(7,114)
Additional Interest on Borrowings for Amortised Cost Basis	(5)
Re-measurement of "soft" loans	
Annual Release of Debt Premiums / Discounts on Statutory Basis	369
Balance at 31 March 2009	(6,750)

It should be noted and stressed that the Financial Instrument Adjustment Account is matched by borrowings and investments within the Balance Sheet; they are not resources available to the Council.

30.7 Repairs and Renewals Funds

	Balance at 31 March 2008 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2009 £'000
Repairs and Renewals Funds:					
Education	836	213	18	(592)	475
Vehicles	66	-	3	-	69
Total	902	213	21	(592)	544

30.8 General Fund Balance

The Council has ring-fenced £28.015m of the balance on the General Fund as follows:

	Balance 1 April 2008 £'000	Allocation of Funds £'000	Contributions to Funds £'000	Funds Used £'000	Balance 31 March 2009 £'000
Ring-fenced					
Waste Management PPP	4,579		865		5,444
NPDO Affordability Funding	7,140		2,055		9,195
Revenue from Additional Council Tax on Second Homes (Strategic Housing fund)	4,916		1,787	(671)	6,032
Reserve Committed for 2008-09 Budget	1,542			(1,542)	-
Reserve Committed for 2009-10 Budget	-	1,673			1,673
Savings agreed to be carried forward to 2008-09	55			(55)	-
Savings agreed to be carried forward to 2009-10	130			(130)	-
Unspent Grants	1,066		1,583	(1,064)	1,585
Contributions Carried Forward	885		406	(864)	427
Unspent Budget Carried Forward	3,942		1,712	(3,224)	2,430
School Budget Carry Forwards	370		838	(370)	838
Previous Earmarking	967			(863)	104
Former HRA Balance	65			(65)	-
Projects transferred from Capital	441			(154)	287
Total Ringfenced	26,098	1,673	9,246	(9,002)	28,015
Unallocated	4,908	(1,673)	1,377	-	4,612
Total General Fund Balance	31,006	-	10,623	(9,002)	32,627

The unallocated balance of £4.612m is 1.8% of the Council's budgeted net expenditure for 2009-10.

31. ANALYSIS OF GOVERNMENT GRANTS SHOWN IN THE CASH FLOW STATEMENT

	2008/09 £'000	2007/08 £'000
Associated Schools Group	-	25
Community Planning Partnership	826	-
Community Regeneration Funding	330	1,000
Discipline Task Group	-	178
DWP Other Grants	817	1,003
Education Maintenance Allowance	501	433
Fairer Scotland Fund	152	167
Gaelic Education Grants	377	334
Housing Stock Transfer	-	714
Housing Support Grant	192	172
National Priorities Action Fund	-	4,382
Other Educational Grants	753	3,830
Other Grants (e.g. Civil Defence)	172	1,232
Other Social Work Grants	125	589
Pre-school Gaelic Education Grants	-	88
Private Sector Housing Grant	3,182	2,395
Public Transport Grants	17	999
Supporting People	-	12,222
Total	7,444	29,763

32. NET CASH FLOW RECONCILIATION

	2008/09 £'000	2007/08 £'000
Surplus / (Deficit) for Year	8,167	5,065
Adjustments Not Involving Movement in Funds	14,478	23,094
(Increase) / Decrease in Stocks	137	8
(Increase) / Decrease in Debtors	(1,410)	(3,693)
Increase / (Decrease) in Creditors	(6,000)	6,117
Revenue Activities Net Cash Flow	15,372	30,591

33. ANALYSIS OF NET DEBT

	31st March 2009 £'000	31st March 2008 £'000	Cash Flow £'000
Cash at Bank and in Hand	3,164	38,380	(35,216)
Bank Overdraft	(5,850)	(3,972)	(1,878)
Net Increase / (Decrease) in Cash	(2,686)	34,408	(37,094)
Debt due within one year	(11,061)	(559)	(10,502)
Debt due after one year	(145,356)	(187,113)	41,757
(Increase) / Decrease in Debt Financing	(156,417)	(187,672)	31,255
Movement in Debt in Period			(5,839)
Capital Element of Finance Lease			356
Net Cash Outflow from Debt and the Capital Element of Finance Leases			(5,483)

34. RECONCILIATION OF MOVEMENT IN CASH TO NET DEBT

	2008/09 £'000	2007/08 £'000
Increase / (Decrease) in Cash in Period	(37,094)	34,673
(Increase) / Decrease in Debt Financing	31,255	(29,831)
Movement in Debt in Period	(5,839)	4,842
Net Debt as at 1 April 2008	(153,264)	(158,106)
Net Debt as at 1 April 2009	(159,103)	(153,264)

Council Tax Income Account

Shows the net income raised from council taxes levied under the Local Government Finance Act 1992.

2007/08 Actual £'000		2008/09 Actual £'000
52,335	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	52,702
	Add Back:	
1,687	RSL Second Home Discount Additional Income	1,734
	Less:	
(6,984)	Other Discounts and Reductions	(7,436)
(978)	Provision for Bad and Doubtful Debts	(1,170)
46,060	Total	45,830
433	Adjustment to Previous Years' Community Charge and Council Tax	(19)
46,493	Transfers to General Fund	45,811

1. CALCULATION OF THE COUNCIL TAX

Dwellings are valued by the Assessor and placed within a valuation band ranging from the lowest "A" to the highest "H". The Council Tax charge is calculated using the Council Tax Base, Band D equivalent as below. This value is then decreased or increased dependent upon the band of the dwelling. The charge for each band for 2008-09 was as follows:

Band	Valuation Band	% Band D	£ per year
A	Under £27,000	67%	785.33
B	£27,000 - £35,000	78%	916.22
C	£35,000 - £45,000	89%	1,047.11
D	£45,000 - £58,000	100%	1,178.00
E	£58,000 - £80,000	122%	1,439.78
F	£80,000 - £106,000	144%	1,701.56
G	£106,000 - £212,000	167%	1,963.33
H	Over £212,000	200%	2,356.00

2. CALCULATION OF THE COUNCIL TAX BASE 2008/09

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,767	9,551	9,299	5,755	6,982	3,789	2,563	226	45,932
Less - Exemptions / Deductions	920	664	961	485	548	215	136	35	3,964
Less - Adjustment for Single Chargepayers	923	1,033	783	439	389	174	96	7	3,844
Effective Number of Properties	5,924	7,854	7,555	4,831	6,045	3,400	2,331	184	38,124
Band D Equivalent Factor (ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalent Number of Properties	3,949	6,109	6,716	4,831	7,388	4,911	3,885	368	38,157
Add Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									442
Nominal Tax Yield									38,599
Less Provision for Non-Collection - 4.22%									1,628
Council Tax Base 2008/09 - Number of Band D equivalents									36,971

Non Domestic Rate Income Account

Shows the income from the rate levied under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992 on non-domestic property.

2007/08 Actual £'000		2008/09 Actual £'000
30,653	Gross rates levied	24,928
	Less:	
(4,191)	Reliefs and other deductions	(4,407)
(9)	Payment of Interest	(223)
(192)	Provision for Bad and Doubtful Debts	(57)
26,261	Net Non-Domestic Rate Income	20,241
1	Adjustment for years prior to introduction of national non-domestic rate pool	1
6,909	Contribution from national non-domestic rate pool	14,816
33,171	Transfers to General Fund	35,058

Notes to the Non Domestic Rate Income Account

1. ANALYSIS OF RATEABLE VALUES

	2008/09 £	2007/08 £
Industrial and freight transport subjects	3,311,290	3,384,840
Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	41,625,892	39,817,777
Commercial subjects:		
Shops	10,666,800	10,794,190
Offices	4,648,320	4,693,060
Hotels, Boarding Houses etc.	7,381,625	7,218,505
Others	5,899,510	5,904,185
Formula valued subjects	297,564	297,432
Total Rateable Value	73,831,001	72,109,989

2. NON-DOMESTIC RATE CHARGE

	2008/09 Pence	2007/08 Pence
Rate Per Pound	45.8p	44.1p
Supplementary Rate Per Pound for Properties over £25,000	0.4p	0.3p

3. CALCULATION OF RATE CHARGE FOR EACH PROPERTY

The rates charge for each subject is determined by the rateable value placed upon it by the Assessor multiplied by the Rate per £ announced each year by the Government.

Group Income and Expenditure Account

2007/08		2008/09		
		Actual	Actual	Actual
		Gross	Gross	Net
Expenditure	Service	Expenditure		
£'000		£'000	£'000	£'000
88,422	Education Services	107,979	8,520	99,459
15,595	Environmental Services	22,278	4,393	17,885
9,831	Cultural and Related Services	11,384	2,426	8,958
4,048	Planning and Development Services	7,915	3,190	4,725
42,971	Social Work Services	56,801	9,410	47,391
1,794	Housing Services (Non-HRA)	38,117	24,988	13,129
16,810	Roads and Transport Services	20,296	1,434	18,862
1,676	Trading Services	6,636	4,921	1,715
	Central Services			
2,491	- Central Services to the Public	3,310	1,385	1,925
4,780	- Corporate and Democratic Core	5,778	308	5,470
870	- Non-distributed Costs	734	11	723
1,272	- Other Operating Income and Expenditure	1,290		1,290
9,823	Strathclyde Police Joint Board	10,256		10,256
5,456	Strathclyde Fire Joint Board	5,829		5,829
205,839	Net Cost of General Fund	298,603	60,986	237,617
1,903	Share of Operating Results of Associates			(1,550)
207,742	Net Cost of Services			236,067
5,291	Net (Gain)/Loss on Disposal of Fixed Assets			1,429
-	(Surplus)/deficit on trading undertakings			(93)
40	Share of Associates (Gain)/Loss on Disposal of Fixed Assets			13
11,243	External Interest Payable			13,276
351	Share of Interest Payable by Associate			367
(1,615)	Interest and Investment Income			(4,900)
(342)	Share of Associate Interest and Investment Income			(271)
(3,845)	Pensions interest costs and expected return on pension assets			(574)
9,092	Share of Associate Pensions interest costs and expected return on pension assets			10,316
227,957	Net Operating Expenditure			255,630
142,282	General Government Grants			174,047
46,493	Income from Council Tax			45,811
33,171	Distribution from Non-domestic rate pool			35,058
(6,011)	Surplus/(Deficit) for Year			(714)

Reconciliation of the Single Entity Surplus to the Group Deficit

This statement shows how the deficit on the Council's single entity Income and Expenditure Account for the year reconciles to the deficit for the year on the Group Accounts.

2007/08 £'000		2008/09 £'000
5,065	Surplus on Income and Expenditure Account for the Year	8,167
	<i>Add:</i>	
(11,044)	(Deficit) attributable to Associates	(8,875)
(32)	(Deficit) attributable to Common Good Funds	(6)
(6,011)	Group Account Surplus/(Deficit) for the Year	(714)



Group Statement of Total Recognised Gains and Losses

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

2007/08 £'000		2008/09 £'000
(6,011)	Group Account Surplus/(Deficit) for the Year	(714)
15,248	Surplus on Revaluation of Fixed Assets	9,109
65,196	Actuarial (Losses)/Gains on Pension Fund Assets and Liabilities	(30,438)
(7,477)	Other Losses to be Included in the STRGL	(986)
66,956	Total Recognised (Losses)/Gains	(23,029)

2007/08 £'000	2008/09	
		£'000
	Fixed Assets	
193	<i>Intangible Fixed Assets</i>	308
	<i>Tangible Fixed Assets</i>	
	Operational Assets	
169,347	- Other Land and Buildings	173,719
6,206	- Vehicles, Plant and Equipment	5,550
112,629	- Infrastructure Assets	132,244
2,014	- Community Assets	2,101
	Non-operational Assets	
6,682	- Investment Property	6,843
21,233	- Assets Under Construction	14,568
15,573	- Surplus Assets held for Disposal	14,318
333,877	Total Fixed Assets	349,651
1,740	Other Long Term Investments	1,261
1,657	Long Term Debtors	3,229
337,274	Total Long Term Assets	354,141
	Current Assets	
245	Stock and Work in Progress	108
20,327	Debtors	22,585
5,000	Investments	10,000
38,410	Cash and Bank	3,202
401,256	Total Assets	390,036
	Current Liabilities	
(504)	Short Term Borrowing	(10,916)
(35,577)	Creditors	(34,700)
(3,976)	Bank Overdraft	(5,863)
361,199	Total Assets less Current Liabilities	338,557
(187,476)	Long Term Borrowing	(145,724)
(1,822)	Deferred Liability - Finance Leases	(1,959)
(49,485)	Government Grants - Deferred	(60,629)
(5,971)	Provisions	(1,589)
(140,078)	Investment in Associate	(143,399)
(598)	Liability Related to Defined Benefit Pension Scheme	(32,517)
(24,231)	Total Assets less Liabilities	(47,260)
	Financed by:	
14,070	Revaluation Reserve	20,093
72,050	Capital Adjustment Account	77,039
2,681	Useable Capital Receipts Reserve	2,762
1,356	Capital Fund	871
(598)	Pensions Reserve	(32,517)
(7,114)	Financial Instruments Adjustment Account	(6,750)
31,006	General Fund Balance	32,627
(140,078)	Group Reserves	(143,399)
1,494	Common Good Reserves	1,470
902	Repairs and Renewals Funds	544
(24,231)	Total Net Worth	(47,260)



 Bruce West, Head of Strategic Finance
30 September 2009

1. INTRODUCTION

The Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice (the 2004 SORP) placed a requirement on Councils to consider all their interests in external organisations including limited companies and other statutory bodies. Where the interest is considered to be material, the Council is required to prepare a full set of group accounts in addition to those prepared for Argyll and Bute Council. The Group Accounts are designed to show “a true and fair view” the financial performance and position of the Council’s Group. Comparative figures for the previous year have been included where relevant.

2. GROUP ACCOUNTING POLICIES

The group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 10 to 15 with the exception of the following:

- The Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee financial statements have been prepared under the historic cost convention.

3. COMBINING ENTITIES

The Council has an interest in a number of Associate Entities. For the purposes of consolidation and incorporation within the Group Accounts recognition has been made of the Council’s significant influence over Joint Boards and other entities.

The Associates which have been incorporated are:

- Strathclyde Joint Police Board
- Strathclyde Fire and Rescue Joint Board
- Dunbartonshire and Argyll & Bute Valuation Joint Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee

The accounting period for all entities is 31 March 2009.

4. NON MATERIAL INTEREST IN OTHER ENTITIES

The Council has an interest in Scotland Excel. Scotland Excel took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish local authority sector on 1 April 2008. Renfrewshire Council prepare the financial statements for Scotland Excel in its role as lead authority. Scotland Excel is a not-for-profit organisation funded mainly by the 28 participating Scottish local authorities. Argyll and Bute Council contributed £0.066m towards Scotland Excel in the 2008-09 financial year.

The Council also has an interest in the Highlands and Islands Transport Partnership (HITRANS). The Partnership was established as one of the seven Scottish Regional Transport Partnerships. The Transport (Scotland) Act 2005 requires these Partnerships to prepare Transport Strategies for their regions which will enhance economic well being; promote safety, social inclusion and equal opportunity; plan for a sustainable transport system; and integrate across boundaries with other partnerships.

These entities are part of the Council’s group for the purposes of Group Accounts. As such it is recognised that the nature of the relationship with these bodies should be included within these notes. However, it has been decided that the Council’s share of the net worth of these entities is not material to a fair understanding of the financial position of the Council, and so they have not been consolidated into the Group Accounts.

5. NATURE OF COMBINATION

The Council inherited its interest in these entities following the reorganisation of local government in 1996. It is considered that the acquisition was based on an acquisition basis. However, as no consideration was given for this interest there is no goodwill involved in these instances.

6. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates and Common Good Funds on the Group Balance Sheet is to decrease both reserves and net worth by £141.892m. This gives an overall net liability for the Group of £46.232m. This net liability position is due to the FRS17 Pension Liability within the Associates' Single Entity Accounts. This can be summarised as follows:-

	Pension Liability per Associates Accounts £'m	Argyll and Bute Council's Group Share £'m
Strathclyde Joint Police Board	3,086.854	123.165
Strathclyde Fire and Rescue Joint Board	821.035	31.856
Total Pension Liability of Associates	3,907.889	155.021

The Police and Fire Schemes are unfunded with no attributable assets. However, the Scottish Government effectively underwrites these liabilities through provision within the Revenue Support Grant System. This means that the financing of police and fire pensions is raised in the year the pensions are actually paid and offset by recognition within the revenue stream from the Scottish Government.

All associates have prepared their accounts on a 'going concern' basis. Statutory arrangements are in place with the Scottish Government and constituent authorities for the funding of the deficit due to Police and Fire pensions. This means that the financial position of these two Boards remains assured. Similarly, for Strathclyde Passenger Transport Authority and the Joint Valuation Board funding arrangements between the Scottish Government and constituent authorities remains assured. In common with these public bodies, the Council's Group Accounts have been prepared on a 'going concern' basis as there is no reason to suggest that future funding will not continue.

7. FURTHER DETAILS ON CONSOLIDATION

Due to the significant impact upon the reported figures of the Group Accounts further information in respect of the Associate Entities outlined above can be summarised as follows:-

Strathclyde Police Joint Board

Strathclyde Police Joint Board is the statutory corporate body established under the Strathclyde Combined Police Area Amalgamation Order 1975 and provides a comprehensive range of policing services on behalf of the 12 constituent Councils in the West of Scotland. During 2008-09 the Council contributed £10.256m or 3.99% of the Board's estimated running costs and its share of the net liability on the Balance Sheet is £118.528m and is included in the Group Balance Sheet. The accounts of the Board are subject to independent audit and can be obtained from the Treasurer to Strathclyde Police Joint Board, Glasgow City Chambers, Glasgow G2 1DU.

Strathclyde Fire and Rescue Joint Board

This is the statutory body responsible for supervising the activities of Strathclyde Fire and Rescue Service. Strathclyde Fire and Rescue provides fire and emergency cover for the 12 constituent Councils in the West of Scotland. The Council contributed £5.829m to the Boards revenue cover costs in 2008-09 or 3.88% and has accounted for £26.369m as its representative share of the Net Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit scrutiny and available from the Treasurer to Strathclyde Fire and Rescue Joint Board, Bothwell Road, Hamilton ML3 0EA.

Strathclyde Partnership for Transport

Strathclyde Partnership for Transport was formed on 1 April 2006 as the successor to the Strathclyde Passenger Transport Authority. It is a Joint Committee of all Councils in the West of Scotland plus Dumfries and Galloway Council. In association with the related Structure Planning Committees, the Partnership's remit included the promotion of joint working to set out the policy framework for achieving the most effective management, development and integration of the transport network across boundaries in the medium to longer term through the Joint Transport Strategy. The Council contributed £0.608m or 1.63% of the Board's estimated net running costs during 2008-09 and accounted for £1.247m of the Net Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit

and are available from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint Board

This body comprises the 12 local authorities within the West of Scotland which oversees the operations of the concessionary fares scheme for public transport within its area. The costs of the scheme are met by a combination of funding from the 12 constituent councils and direct grant funding from the Scottish Government. During 2008-09 the Council contributed £0.105m or 4.14% of the net annual running costs and accounted for £0.273m of the Net Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Concessionary Travel Scheme, Consort House, 12 West George Street, Glasgow G2 1HN.

Dunbartonshire and Argyll and Bute Valuation Joint Board

This body was formed in October 1995 at local government reorganisation by a Statutory Instrument and is responsible for the maintenance of the electoral, council tax and non-domestic rates registers for Argyll and Bute, West Dunbartonshire and East Dunbartonshire Councils. The Board's running costs are met by the three Councils. During 2008-09 Argyll and Bute Council contributed £1.290m towards estimated running costs and accounted for £0.022m of Net Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Dunbartonshire and Argyll and Bute Valuation Joint Board, Council Offices, Garshake Road, Dumbarton G82 3PU.

The following disclosures are also required for Dunbartonshire and Argyll and Bute Valuation Joint Board because the Council's interest exceeds the 25% threshold for accounting purposes:-

	2008/09 £'m	2007/08 £'m
Argyll and Bute Council has a 47.5% share of:		
Gross Income	2.810	2.718
Net Surplus (Deficit)	(0.030)	(0.119)
Fixed Assets	0.706	0.616
Current Assets	0.344	0.411
Liabilities due within one year	(0.342)	(0.392)
Liabilities due over one year	(0.007)	(0.014)
Retirement Benefit Asset	(0.746)	0.931
Capital and Revenue Reserves	(0.045)	1.552

8. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Income and Expenditure Account (page 16) for group accounting purposes. These can be summarised as follows:

- All intra-group transactions have been removed from the Group Accounts as part of the subsidiary consolidation process.
- The Common Good Funds described in note 27 of the Notes to the Core Financial Statements on pages 40 to 41 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £1.507m.

9. GROUP CASH FLOW STATEMENT

The impact of the incorporation of the associates has no effect upon the Cash Flow statement for Argyll and Bute Council on pages 21 to 22. Only the Common Good transactions would have an impact. However, this impact is not material enough for a separate Group Cash Flow Statement to be prepared.

10. ADDITIONAL DISCLOSURE ON PENSIONS

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

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

Strathclyde Police Joint Board have decided not to charge the FRS 17 costs of the new police pension scheme since its inception to the general fund. If the FRS 17 calculated costs of the scheme since inception had been accounted for in line with the existing legislative framework this would have resulted in the General Fund balance and Pensions Reserve balances both being adjusted by £11.1m. The Council's share of the adjustment is £0.45m. The external auditor of the Strathclyde Police Joint Board has issued a qualified opinion to the financial statements as a result of this.

The accounts of Strathclyde Fire and Rescue Joint Board reflect the legislative position. Therefore, for the new fire pension scheme, the full FRS 17 costs since scheme inception have been charged against the General Fund balance. If this situation is amended by legislation during the 2009-10 financial year, the level of reserves as shown on the balance sheet for the General Fund and Pensions Reserve will be adjusted by £2.4m. The Council's share of the adjustment is £0.09m.

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

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

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

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report our opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the Council and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

We also report to you if, in our opinion, the Council has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on 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 Council's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements

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

Failure to comply with a statutory requirement

It has not been necessary to qualify our opinion in respect of the following matter. The Council has a statutory duty under section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period.

The Council failed to comply with this statutory requirement for the three year period ending 31 March 2009 in respect of its Catering and Cleaning Service.

Grant Thornton UK LLP

Grant Thornton UK LLP

Chartered Accountants and Registered Auditors

1-4 Atholl Crescent
EDINBURGH
EH3 8LQ

30 September 2009

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Argyll and Bute Community Planning Partnership



argyll and bute
communityplanningpartnership

26th November 2009

Community Plan 2009-2013

1. SUMMARY

- 1.1** This report is to advise Council of the background to and processes involved in developing this new Community Plan and to seek final approval to publish widely as the agreed Community Plan for Argyll and Bute.

2. RECOMMENDATIONS

- 2.1** That the Council:
- i. Considers and adopts the Argyll and Bute Community Plan 2009-2013.
 - ii. Considers and approves the priorities outlined for the 4 year lifespan of the Plan.
 - iii. Notes the background to and processes involved in developing the Plan.

3. BACKGROUND

- 3.1** Argyll and Bute's last Community Plan was launched in 2007, covering the period until 2017. The Argyll and Bute Community Planning Partnership agreed that the Plan should be revised in light of the new CPP structures and the SOA and that it should be reviewed every four years to ensure that it adapts to changing priorities and needs as well as to reflect progress already made. It was agreed that a new Community Plan should come into effect from September 2009.

- 3.2** The new plan has been developed by the Management Committee with input from the new CPP Thematic Groups and fulfils the government's requirements for partnership working.

Community Plan consultation route:-

- 16th September – Management Committee
- 28th October – Full Partnership
- 3rd November – B & C Local Community Planning Group¹
- 4th November – MAKI Local Community Planning Group
- 9th November – Social Affairs Thematic Group
- 12th November – Environment Thematic Group

¹ The Draft Community Plan has been part of the presentations made to the new Local Community Planning Groups (Oban and Lorn due to meet on the 2nd of December)

- 13th November – Organisational Development PPG
- 17th November – H & L Local Community Planning Group
- 25th November – Economy Thematic group²

3.3 The links with Local Community Plans and the Single Outcome Agreement have also been strengthened. To ensure continuity, this Plan will continue to be known as the Community Plan.

3.4 The Thematic Groups have also considered any new priorities identified by the SOA. This has led to the development of this Plan, and the actions that need to take place to deliver it. This new Community Plan contains outcomes, actions and success measures. The Argyll and Bute Community Planning Partnership will monitor performance against both the SOA and Local Community Plans.

3.5 Progress against the plan and target outputs will be measured and monitored using scorecards summarising progress against the success measures and actions. Scorecards and briefing reports will be submitted quarterly to the Management Committee.

3.6 The future

In four years the Plan will be refreshed again; this will be a more extensive review of the Plan and its vision and priorities. In the intervening period the Partnership recognises that the priorities and actions within the plan will develop and change. In order to keep the Plan relevant, it will be continuously refreshed and the most up-to-date version will be available on the CPP website and through links from Council and other community planning partners websites. Updates will be approved via the CPP Management Committee.

4. CONCLUSION

4.1 On final approval this plan will be made widely available.

For further information contact: Jane Fowler, Head of Improvement and Strategic HR
jane.fowler@argyll-bute.gov.uk

Telephone 01546 604466

² Due to proximity of this meeting to the Council meeting on the 26th of November some changes may be made as a result of discussions at the Economic Thematic Group. Any changes will be reported verbally and changes made to the master document before final publication.

**ARGYLL AND BUTE COUNCIL
DEVELOPMENT SERVICES**

COUNCIL

DATE: 26 November 2009

TITLE: PROPOSED FINAL LOCH FYNE INTEGRATED COASTAL ZONE MANAGEMENT PLAN

1. SUMMARY

This report presents the Proposed Final Loch Fyne Integrated Coastal Zone Management (ICZM) Plan, which requires approval from the Executive Committee and Council to be adopted as supplementary planning guidance.

The Proposed Final Plan (*Annex 1*) has been amended in light of the public consultation at the end of 2008. Full details of the comments received and the Council response to these are set out in the Consultation Report (*Annex 2*). This information, including feedback from public ICZM meetings on the Proposed Final Plan was considered by the Bute and Cowal and Mid Argyll, Kintyre and Islay Area Committees in October which both voted to recommend that the Proposed Final Plan be approved by the Executive Committee. The Proposed final plan will be taken to the Executive on 19 November.

Argyll and Bute Council has been developing an ICZM Plan for Loch Fyne in collaboration with local stakeholders and regulators. This plan is non-statutory and provides guidance for local authority planners, regulators and stakeholders on the future use and development of the marine waters and surrounding coast of Loch Fyne. Development policies and guidance on scale and location of new aquaculture development will be used by Argyll and Bute Council as supplementary planning guidance and will be a material consideration in the determination of planning applications for new or modified aquaculture developments.

As the proposed final plan is considerable in length, a one page summary is provided in *Annex 3* of this report. A single hard copy of the plan is available to view in the Members Room, along with the Consultation Report. Additional copies of these documents can be made available on CD and can be viewed or downloaded from the Argyll and Bute Council website (www.argyll-bute.gov.uk/lochfyne).

2. RECOMMENDATION

Subject to feedback from the November Executive Committee, the Council is asked to:

- Consider the Proposed Final ICZM plan in light of the Consultation Report, feedback from public stakeholder meetings and recommendations from the Bute and Cowal and Mid Argyll, Kintyre & Islay Area Committees; and
- Approve the proposed Final Loch Fyne ICZM Plan to be adopted as supplementary planning guidance.

3. BACKGROUND – Aims & plan development process

Given recent development pressures on Argyll's coastal areas and the competition for space between sectors such as fishing, aquaculture, recreation and tourism, there is a need for a more integrated approach to deliver the sustainable use of our marine resources. There is also a need to take fuller account of the socio-economic characteristics of the coastal area and provide a framework for the promotion of local economic development.

The Argyll and Bute Council Structure Plan 2002 outlines the Council's objectives for coastal planning and emphasises the necessity of working with all the relevant sectors to fully harness the

productive capacity of the marine and coastal area whilst safeguarding its unique environmental qualities, through sustainable development. In addition policy LP AQUA 1 of the modified Finalised Draft Local Plan recognises the potential of the evolving ICZM process to further inform the assessment of marine fish farming within our area.

In recognition of the importance of our coastal and marine environment the Council sought and secured funding in July 2004 to initiate the Loch Fyne ICZM project as a means of accomplishing the sustainable management of this significant marine area.

3.1. Aims

The aim of the ICZM project was to develop a coastal zone management plan with broad community input and support, which will guide and advise local authority planners, regulators and stakeholders on future use and development, and secure the long-term sustainable use of the marine resources within Loch Fyne. The plan has been designed to complement Argyll & Bute Council's Development Plan (Structure and Local Plan) and will assist decision-making in relation to development proposals, help minimise conflicts of interest and guide future investment.

Given the Council's new responsibilities for aquaculture, the plan focuses, in particular on developing policies to help guide future aquaculture development to appropriate areas by taking account of other activities and environmental sensitivities.

The plan also identifies potential conflicts of interest between activities and highlights broader issues for the attention of the relevant agencies in the form of recommendations.

3.2 Plan development process

In summary, the development of the Loch Fyne ICZM plan has involved the following:

- Collection of available spatial data from regulators, local authority and scientific sources;
- Assessment of use of marine and coastal resources in the area and identification of management issues;
- Identification of existing local management agreements/ procedures;
- Identification of future development opportunities and collaborations between stakeholders;
- Landscape/Seascape capacity study for Aquaculture;
- Development of planning guidance and map-based marine spatial plan to guide future aquaculture development; and
- Draft plan public consultation.

The entire process has involved extensive consultation with local stakeholders, communities and relevant and competent authorities through public meetings, one to one meetings and correspondence. A contact group with a broad community and stakeholder composition has been kept informed of progress and invited to attend stakeholder meetings.

4. DRAFT PLAN CONSULTATION

Following an eight week public consultation on the draft Loch Fyne ICZM plan at the end of 2008, comments received during the consultation process have been collated by the Marine & Coastal Development Unit and analysed and considered along with other available evidence to develop a final draft of the Loch Fyne ICZM plan. Full details of the individual comments received during the consultation and the Council's response to these are set out in the Consultation Report – *Annex 2* of this report.

The Proposed Final Plan and Consultation Report have been made available to all stakeholders who have been involved in the plan process or responded to the consultation, in early September. Public meetings were held in Strachur and Lochgilphead on the 30th September and 1st October respectively, to present the changes made to the final plan as a result of the public consultation. Feedback from these meetings was presented to the Area Committee for their consideration in

addition to the Final Plan and Consultation Report. The summary of feedback from these public meetings can be viewed at <http://www.argyll-bute.gov.uk/content/planning/developmentprojects/marineandcoastaldevunit/ICZM2/ICZMMeetings/>

4.1 Consultation overview

The public consultation on the draft Loch Fyne ICZM plan ran for 8 weeks, from 24 October to 19 December 2008. A contact list of over 140 individuals and organisations (Loch Fyne ICZM Stakeholder Group) that had been involved in the development of the plan were sent details of the consultation and the draft plan. This information was also sent out to additional members of the public following the public advertisement of the consultation. In addition, all Community Councils bordering Loch Fyne were consulted by letter.

A total of 31 written consultation responses were received, comprising over 280 individual comments. The full individual responses can be viewed on the Council website at www.argyll-bute.gov.uk/lochfyne.

4.2 Summary of main comments

The preparation of the plan and its objectives were generally welcomed. The plan was felt to be comprehensive and well researched with the appropriate level of detail to allow it to be used as guidance on the future use and development of Loch Fyne. Despite its size, the plan was considered to be well structured, easy to navigate to the relevant section, and easy to read.

The main points raised by the public consultation related to concerns from wild migratory salmonid interests about development potential for aquaculture; specific comments on the aquaculture policies and background information in Policy Zone L (Creggans to Newton); comments about the methodology used to develop aquaculture policies; concerns about the influence of landscape as a constraint to development potential for aquaculture; and concerns about mobile gear fishing in upper Loch Fyne.

The Consultation Report (*Annex 2*) provides a summary of the main comments from the consultation and the main changes made to the plan as a result of these responses, in addition to full details of the individual comments received during the consultation and the Council's response.

5. CONCLUSION

The Loch Fyne ICZM plan could be a significant piece of guidance in the use and development of the coastal zone of Loch Fyne over the next five years and has been designed to complement the Argyll & Bute Development Plan. It aims to aid the evaluation of development proposals, help minimise conflicts of interest and guide future investment.

The consultation process and detailed responses from a wide range of interests has further developed and shaped the Loch Fyne ICZM Plan resulting in improved guidance for future management, use and development of Loch Fyne.

6. IMPLICATIONS

Policy: The final ICZM plan will act as guidance to help inform the application of approved local plan policies with regard to future development proposals for aquaculture and coastal infrastructure. Development policies for aquaculture will be a material consideration in the Council's determination of planning applications for new or modified aquaculture developments.

The Argyll and Bute Structure Plan recommends the development of coastal framework plans for seven coastal areas, including Loch Fyne.

A Sustainability Assessment has been prepared as part of the development of the Loch Fyne ICZM plan. No comments were received on this document during the public consultation.

Financial: There will be financial implications for the Council in the implementation of the Loch Fyne ICZM Plan but it should be noted that this plan is non-statutory. The Proposed Final Plan includes an Action Plan (Section 8 of plan) which identifies that the resources required for the majority of actions are Council officer time from the Marine and Coastal Development Unit, and for some actions support from the Outdoor Access and GIS team. The internal implementation costs have been examined and it is felt that they can be contained within the existing revenue budget. Several actions will require small amounts of funding from external partners but there is no requirement for the Council to make any financial contribution to these partner actions.

Personnel: See comments under financial above, in terms of staff resources.

Equal Opportunity: An Equality Impact Assessment identified both potential positive and negative impacts that will be addressed in the development of the Loch Fyne ICZM Plan. Actions include:

1. The final plan will make comment and include recommendations on improved access for recreational activities, including consideration of access that is suitable for all users.
2. Meeting adverts for public stakeholder meetings will encourage anyone who wishes to attend, to inform the M&CDU of any particular disability requirements, i.e. disabled access, induction loop.

No comments were received on this assessment during the public consultation on the draft plan.

For further information contact:

Mark Steward
Marine & Coastal Development Manager
Tel. 01631 567 972 Email mark.steward@argyll-bute.gov.uk

ANNEX 1 – Proposed Final Loch Fyne ICZM Plan (available in Members room and at www.argyll-bute.gov.uk/lochfyne)

ANNEX 2 – Loch Fyne ICZM Plan Consultation Report (available in Members room and at www.argyll-bute.gov.uk/lochfyne)

ANNEX 3 – Summary of the Proposed Final Loch Fyne ICZM Plan

- 1) Draft plan developed through extensive consultation with local stakeholders and regulators;
- 2) Plan is non-statutory, providing guidance on future use and developers, for local authority planners, regulators and stakeholders. Individual development proposals will however, still require detailed, site-specific appraisal;
- 3) Plan will be used as supplementary planning guidance for aquaculture and coastal infrastructure development proposals. Development policies for aquaculture will be a material consideration in the Council's determination of planning applications for aquaculture.

Plan contents

Site Description

Background to the geology, oceanography and wildlife, biodiversity, landscape and historic interests of Loch Fyne.

Current Activities and Interests

Comprehensive overview of activities and interests, including socio-economics, existing management and controls, future development, local issues and agreements and recommendations on future management, use and development.

Policy Zone Section – Area policies and guidance

Main section of the plan where Loch Fyne is split into 19 policy zones, providing area specific policies and guidance for future use and development.

Policy Zone format

Area description - Landscape & seascape characteristics, visual amenity, access, settlements, current uses, designations, wildlife and historical features.

Policy zone maps - Information presented in two maps, one showing current uses and activities and another showing wildlife & historic interests, Argyll and Bute Development Plan designations and statutory designated sites for nature conservation and landscape.

Constraints and opportunities - Policy considerations, in terms of constraints and opportunities for future use and development are presented in tables.

Guidance on aquaculture development – This is the supplementary planning guidance for future aquaculture development and comprises of:

- Development policies for finfish, shellfish and on-shore aquaculture development;
- Guidance on location and scale if development potential identified; and
- Individuals/organisations to be consulted by developers and Argyll and Bute Planning Officers, should development potential be identified.

Development Opportunities

Summary of opportunities for future use and development identified in the policy zone section, including: finfish and shellfish aquaculture; development of new or improved coastal infrastructure e.g. jetties; and opportunities for improved access or development of dedicated access for recreational activities such as boating, diving and angling.

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