



**ACCOUNTS FOR THE PERIOD  
1 APRIL 2004 TO 31 MARCH 2005**

**Argyll and Bute Council**  
Comhairle Earra Ghàidheal agus Bhòid

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

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## Introduction

This foreword is intended as a comment on Argyll and Bute Council's financial position as presented within the Statement of Accounts for the financial year 2004/2005.

## Accounting Policies

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 (LA(S)AAC). The annual accounts for 2004/2005 have been prepared in compliance with the 2004 Statement of Recommended Practice (SORP). The format of the Consolidated Revenue Account reflects the requirements of the Best Value Accounting Code of Practice (BVACOP).

## The Financial Statements

### *Consolidated Revenue Account*

shows the income raised by the Council during the year and how it was spent on services, financing costs and contributions to/from reserves. The surplus or deficit is carried to the Statement of Total Movement on Reserves. The notes to the Consolidated Revenue Account provide additional information on some costs and income included within the Consolidated Revenue Account.

### *Housing Revenue Account*

reflects the statutory requirement to separately account for local authority housing provision, as defined in the Housing (Scotland) Act 1987. It shows the major elements of housing revenue expenditure and capital financing costs, and how these are met by rents, housing support grant and other income. The surplus or deficit is carried to the Statement of Total Movement on Reserves.

### *Council Tax Income Account*

explains how the council tax income shown for the financial year in the Consolidated Revenue Account is made up.

### *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 Consolidated Revenue Account.

### *Consolidated 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 notes to the Balance Sheet give further information on the make up of certain assets and liabilities.

### *Statement of Total Movement in Reserves*

gives details of the balances on each reserve at the start of the financial year, movements during the financial year by source and the balance at the end of the financial year as shown in the Balance Sheet.

### *Consolidated 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.

## Statement of Responsibilities

This statement sets out the main financial responsibilities of the Council and the Head of Strategic Finance.

## Statement on the System of Internal Financial Control

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

## Major Changes in Accounting Practice

From 2004/2005 Councils can no longer hold deferred charges as assets on their balance sheet. Where appropriate Councils can capitalise, subject to certain criteria, intangible assets. This change brings consistency with FRS 10 Accounting for Goodwill and Intangible Assets. During 2004/2005 the Council charged to revenue all remaining deferred charges. Intangible assets relating to computer software have been capitalised at cost and depreciated over 5 years.

## General Fund

The following table summarises how the surplus for the year has arisen. For the purpose of comparison, the budget for 2004/2005 has been taken as the original approved budget plus any supplementary estimates agreed by Committee. Adjustments to budget have also been made in respect of additional revenue support grant and items transferred from revenue to capital.

Savings on Budget:	£'m
Savings in Loan Charges	1.322
Increased Collections on Local Taxes	2.053
Overall Savings by Departments Against Budget	0.930
<b>Sub-Total</b>	<b>4.305</b>
Use of earmarked funds	(0.484)
Budgeted contribution from reserve	(0.894)
<b>Surplus for Year Per Accounts</b>	<b>2.927</b>

The General Fund Reserve at 31 March 2004 amounted to £12.193m of which £6.344m was earmarked. This left a "free" balance of £5.849m. The "free" Reserve now stands at £8.026m, the earmarked Reserve stands at £7.094m and the overall Reserve stands at £15.120m.

	£'m
"Free" Reserve at 31 March 2004	5.849
Surplus From Loan Charges, Local Tax Income and Departmental Savings	2.177
<b>"Free" Reserve at 31 March 2005</b>	<b>8.026</b>
Funding to be Carried Forward and Earmarked in Reserve	(0.484)
<b>Total Reserve Per Accounts</b>	<b>7.542</b>

### Significant Trading Organisations

Councils are now required to identify their Significant Trading Organisations. Significant Trading Organisations must achieve a breakeven financial position over a rolling three year period. This rolling three year period will not commence until 2005/2006 (i.e. the first full three financial years following 31 March 2003). Information on the financial performance of Significant Trading Organisations must be given in the Accounts and this is laid out in note 6 of the Consolidated Revenue Account. During 2004/2005 the Council's Significant Trading Organisations achieved a surplus of £0.032m. The surplus is part of the General Fund. All the Significant Trading Organisations met their financial objective for 2004/2005.

### Housing Revenue Account

The HRA balance stands at £1.015m at 31 March 2005 and is an increase of £0.541m from the 31 March 2004 balance of £0.474m. The main factors giving rise to the increase in the balance are as follows:

	£'m
Contribution to Capital Financing Account	(0.274)
(Increase) in Repairs and Maintenance	(0.285)
(Increase) in Supervision and Management	(0.186)
Reduction in Capital Financing	1.110
Bad Debts Written Off	(0.051)
Other Variations in Expenditure	0.007
<b>Decreased / (Increased) Expenditure</b>	<b>0.321</b>
(Reduction) in Rental Income	(0.209)
Decrease in Bad Debt Provision	0.017
Other Variations in Income	0.401
Deduct Budgeted Deficit	(0.010)
<b>(Decreased) / Increased Income</b>	<b>0.199</b>
<b>Surplus for Year</b>	<b>0.520</b>
Contribution to General Fund	-
Interest Earned on Balance	0.021
<b>Increase to HRA Balance</b>	<b>0.541</b>

The saving in capital financing costs arises largely from advancing the amortisation of credit balances of the HRA in the loans fund related to accumulated capital receipts. This has been actioned in preparation of the proposed transfer of the housing stock. It will create a surplus in the HRA to meet the proportion of loans early redemption premium estimated at around £1.9m that will be charged to the HRA on the date of transfer of the housing stock.

### Capital Expenditure and Borrowing

Local authority capital expenditure and borrowing is now regulated by the Prudential Code, a regime of self regulation. Under the Prudential Code 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 2004/2005 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. The composite programme includes additional consent in relation to Public Transport Funded projects that the Council secured in competition, securing much needed additional investment in the Council area. Details of capital expenditure are as follows:

	<b>£'m</b>
Gross Capital Expenditure	28.861
Less:	
Capital Receipts	5.651
Government Grants and Other Contributions	11.353
Revenue Contributions	0.315
Contribution from Useable Capital Receipts Reserve	0.359
<b>Net Capital Expenditure</b>	<b>11.183</b>

The external borrowing of the Council at 31 March 2005 amounted to £198.288m. The majority of this was financed by the Public Works Loan Board (£171.560m), with the remainder coming mainly from the money market. During the year the Council completed £3.252m of new external borrowing. This was used to finance capital expenditure incurred during the year. No debt rescheduling exercises were carried out during 2004/2005.

### Property Valuations

In accordance with the 2004 Statement of Recommended Practice (SORP) all properties are required to be formally revalued at intervals of not more than five years. A five year rolling programme of revaluation of all land and buildings, started in 1999/2000, was completed during 2003/2004. This five year rolling programme has recommenced with 2004/2005 being the new first year.

### Pensions Liability

Pension costs have been recognised in accordance with FRS17. As a result of this a liability of £81.535m is recorded in the Council's balance sheet. This represents the Council's share of the deficit on Strathclyde Pension Fund. This liability is offset by a Pensions Funds 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 2005. 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
- Dunbartonshire and Argyll & Bute Valuation Board

Further information regarding these deficits can be found in the annual report and accounts of the relevant bodies.

### Statement on the System of Internal Financial Control

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

### Other Significant Matters

The Council has secured funding under the new housing partnership programme. This funding has been utilised to carry out an option appraisal and feasibility study for a large scale voluntary transfer of the housing stock. The Council is now evaluating the business plan of Argyll Community Housing Association prior to seeking Scottish Executive approval and moving to the consultation and ballot stages later in 2005.

In common with other Councils a significant investment in school buildings is required. The Council has been successful in securing revenue support towards a Public Private Partnership for school buildings. The Council is developing a Pathfinder Non-Profit Distributing Organisation (NPDO) approach for the PPP. The Council approved a full business case in May 2005. Financial close will be in 2 stages. Stage 1 covering 9 schools on 4 sites is imminent and stage 2 covering a further school is expected later in 2005/2006.

### Conclusion

The Council ends the year with an improved general fund balance. Improvements in council tax collection, savings in loan charges and containment of expenditure in departments have contributed to this position.

The Council will continue to pursue initiatives to secure additional funding. Budgetary control will continue to have a high profile to ensure effective financial control within services.

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

**Bruce West**  
Head of Strategic Finance  
21 June 2005

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The format of the Consolidated Revenue Account reflects the requirements of the Best Value Accounting Code of Practice (BVACOP).

## 1. ACCRUALS OF INCOME AND EXPENDITURE

Revenue transactions have been recorded on an income and expenditure basis, actual or estimated sums having been included in respect of known debtors and creditors at the year-end.

Customer and client receipts in the form of sales, fees, charges and rents have been accrued in the period to which they relate.

Employee costs have been charged to the period within which the employees worked.

Interest payable on external borrowing and internal interest have been accrued in the period to which they relate on the basis of the overall economic effect of the borrowing.

The cost of supplies and services has been accounted for in the period during which they were received or consumed.

All revenue grants are matched with the expenditure to which they relate. Grants made to finance the general activities of a local authority or to compensate for loss of income are credited to the revenue account of the financial year to which they relate. Specific government grants are accounted for on an accruals basis when the conditions for receipt have been complied with.

## 2. OVERHEADS

The cost of all Central Support Departments is fully allocated over user departments. Allocations have been based on actual or estimated activity levels, time or floor areas.

## 3. PENSIONS

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:

### 3.1 Teachers

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

### 3.2 Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme.

Financial Reporting Standard 17 (FRS17) - "Retirement Benefits" was fully implemented in last year and the full impact continues to be demonstrated within this year's account.

The employer's contributions to the scheme are assessed every three years by a consulting actuary and are calculated to ensure the actuarial solvency of the fund. The cost of pensions to the Council is the actual contribution paid in the year as determined by the actuary.

### 3.3 Pension Reserve

A pension reserve has been established in accordance with the full implementation of FRS17. Where the payments made for the year in accordance with the scheme requirements do not match the change in the authority's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This is represented by an appropriation to or from the pensions reserve, which equals the net change in the pensions liability recognised in the Consolidated Revenue Account.

### 3.4 Disclosure of Effect of Change in Discount Rate for Liabilities

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003/2004 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 3.5% real (6.1% actual). For the 2004/2005 Statement of Accounts, a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuary has advised that a rate of 3.2% real (5.9% actual) is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of £4.6m, adjusted for by an increase in actuarial losses recognised for the year in the Statement of Total Movements on Reserves.

## 4. CAPITAL ACCOUNTING

### 4.1 Accounting Policy Statement

The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain, which is recognised as representing proper accounting practices. Services have been charged for the assets based on their value rather than on the financing costs of debt outstanding on the asset.

### 4.2 Intangible Assets

Intangible assets are capitalised at cost. Revaluations are not carried out on intangible assets. Intangible assets are depreciated to the revenue account over their estimated economic life. Currently intangible assets comprise computer software which is depreciated over a period of 5 years. Depreciation is calculated on a straight line basis.



#### 4.3 Tangible Fixed Assets

Infrastructure and community assets are included in the balance sheet at historical cost, net of depreciation where appropriate. Operational and non-operational assets are included at the lower of net current replacement cost or net realisable value.

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

The receipts arising from the disposal of fixed assets have been dealt with on an accruals basis, and the Net Book Value of the asset disposed of, written off against the Fixed Asset Restatement Account.

#### 4.4 Depreciation on Tangible Fixed Assets

All assets, other than Land, Non-operational Buildings and Community Assets, are being depreciated over their useful economic lives. This policy complies with the requirements of Financial Reporting Standard 15 (FRS15) - "Tangible Fixed Assets".

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 – Other	-	20 – 50 years
Operational Buildings – Dwellings	-	30 years
Infrastructure	-	40 years
Vehicles	-	4 – 20 years
Plant and Equipment	-	3 – 10 years
Vessels	-	25 years

#### 4.5 Charges for the use of Tangible and Intangible Fixed Assets

General fund service revenue accounts, central support services and trading services are charged with a capital charge for all fixed assets used in the provision of the service. Such charges cover the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet. Capital charges in the HRA cover the statutory capital financing charges. The notional interest rate is 3.5% for assets other than infrastructure and community assets, where it is 4.8%. Interest payable, including interest payable under finance leases, and provision for depreciation are charged to an Asset Management Revenue Account.

However, in order to disclose the authority's corporate net operating expenditure, capital charges to services need to be reversed out and replaced by depreciation and external interest payable for financing. This reconciliation is performed in the Asset Management Revenue Account.

Net operating expenditure contains accounting entries that should not have an impact on Council Tax. Consequently, after the disclosure of net operating expenditure, a second reconciliation is needed to reverse out charges in respect of depreciation and amortised government grants deferred and to replace them with Minimum Revenue Provision as represented by the cost of financing borrowing. This is accomplished in the line "Contributions to Capital Financing Account" in the Consolidated Revenue Account.

#### 4.6 Deferred Charges

Deferred charges represent capitalised expenditure that does not result in, or remain matched with, tangible fixed assets.

Expenditure is written off to the service revenue account in the year in which that expenditure is incurred on the basis that no long-term benefit accrues directly to the authority from the expenditure.

Net operating expenditure contains accounting entries that are not revenue based and should not have an impact on Council Tax. Consequently, after the disclosure of net operating expenditure, a reconciliation is needed to reverse out capital financed deferred charges. This is done by an adjustment in the Capital Financing Account.

One exception to this is where expenditure is incurred in the provision of wheeled bins in write off to service revenue account over a ten year period, on the basis that the bins will have a useful life of ten years and will provide benefit to the Council in the operation of refuse collection services for that period. This has been reviewed within 2004/05 and the balance written off fully to the revenue account in order to comply with the SORP.

#### 4.7 Government Grants

Grants and other contributions relating to fixed assets are credited to a government grants deferred account and released to the asset management revenue account in line with depreciation.

#### 4.8 Finance Leases

Rental payments under finance leases are apportioned between the finance (interest) charge and the reduction of the outstanding obligation. The former is charged to the Asset Management Account, the latter to the Capital Financing Account.

#### 5. STOCK & WORK IN PROGRESS

Stock has been valued at the lower of cost and net realisable value.

Work in progress is reflected in the Revenue Accounts and Balance Sheets of the appropriate trading activities at cost plus and, where appropriate, a proportion of overheads are charged together with attributable profits and allowances for future losses.

#### 6. RESERVE FUNDS

Repairs and Renewals Funds have been established in accordance with the Local Government (Scotland) Act 1975. The Council has Repairs and Renewals Funds in relation to Vehicles and Plant, Education and Historic Land Contamination in respect of the Council Waste PPP.

#### 7. OPERATING LEASES

Where a lease is classified as an "operating lease" as defined by Statement of Standard Accounting Practice 21 (SSAP 21) - "Accounting for Leases and Hire Purchase Contracts", the annual rentals are charged to the appropriate Revenue Account.

#### 8. LOANS FUND

##### 8.1 Loans Fund Operation

In accordance with the Local Government (Scotland) Act 1975 Schedule 3 (12), the Council administers a Loans Fund. All loans raised by the Council are paid into the fund and are pooled. Interest and expenses of the Loans Fund have been calculated and allocated to the revenue account on the basis of debt outstanding on each account at the start of the financial year with a pro-rata adjustment in respect of new advances. Redemption of debt has been calculated and provided for in the Revenue Account on an annuity basis. Interest on revenue balances is allocated on the basis of monthly balances held on the respective accounts.

##### 8.2 Repurchase of Borrowing

Gains or losses on restructured debt are recognised over the life of the replacement borrowing. Where debt is redeemed early and not replaced the gain or loss is recognised in that year.

#### 9. PUBLIC PRIVATE PARTNERSHIP

The accounting treatment of the waste management Public Private Partnership is in accordance with FRS5 - "Reporting the Substance of Transactions" and Treasury guidance.

#### 10. POST BALANCE SHEET EVENTS

Where a material post balance sheet event occurs which:

- ◆ Provides additional evidence relating to conditions existing at the balance sheet date; or
- ◆ Indicates that application of the going concern concept to a material part of the authority is not appropriate,

changes will be made to the amounts included within the Statement of Accounts as well as details of the nature of the post balance sheet event.

#### 11. PROVISIONS

Provisions are recognised in the Statement of Accounts where they meet 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.

#### 12. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

Due account has been taken of the likelihood of the collection of outstanding debt, including local tax collection, and, where appropriate, debtor balances have been reduced to reflect this.

#### 13. VALUE ADDED TAX (VAT)

VAT is included in income and expenditure accounts only where it is irrecoverable.

#### 14. GROUP ACCOUNTS

From 2005/2006 councils will be required to prepare group accounts. Transitional arrangements are in place for 2004/2005 that do not require disclosures in the 2004/2005 financial statements. The Council has exercised its right to use the transitional arrangements for group accounts in 2004/2005. Accordingly group accounts are not included in the financial statements, however full compliance with the requirements for group accounts will be in place for 2005/2006.

2003/04		2004/05		
Actual Net Expenditure £'000	Note	Actual Gross Expenditure £'000	Actual Gross Income £'000	Actual Net Expenditure £'000
<b>Council Services</b>				
74,190	Education Services	99,964	19,362	80,602
11,347	Environmental Services	23,273	9,729	13,544
7,350	Cultural and Related Services	11,769	3,508	8,261
3,139	Planning and Development Services	5,183	2,220	2,963
30,444	Social Work Services	77,477	41,535	35,942
1,937	Housing Services (Non-HRA)	26,241	24,075	2,166
(515)	Housing Services (HRA)	13,782	14,470	(688)
19,873	Roads and Transport Services	32,911	11,686	21,225
948	Trading Services	2,834	1,703	1,131
Central Services				
2,798	- Central Services to the Public	3,857	1,130	2,727
3,460	- Corporate and Democratic Core	3,487	77	3,410
5,108	- Non-distributed Costs	2,368	4	2,364
636	- Other Operating Income and Expenditure	581	178	403
8,207	Strathclyde Police Joint Board	8,467	-	8,467
4,580	Strathclyde Fire Joint Board	5,010	-	5,010
<b>173,502</b>	<b>Net Cost of Services</b>	<b>317,204</b>	<b>129,677</b>	<b>187,527</b>
3,496	Asset Management Revenue Account			3,792
(639)	Interest and Investment Income			(735)
1,266	Pensions interest costs and expected return on pension assets			(1,861)
<b>177,625</b>	<b>Net Operating Expenditure</b>			<b>188,723</b>
(248)	Contribution to/(from) Other Funds			153
45	Contribution to/(from) HRA Balance			520
(210)	Reconciling amount for loans fund repayment	3		(334)
343	Capital Financed from Current Revenue	3		315
(4,942)	Contribution to/(from) the pensions reserve			(1,088)
<b>172,613</b>	<b>Amount to be met from Government Grants and Local Taxation</b>			<b>188,289</b>
109,147	General Government Grants			116,677
37,419	Income from Council Tax			40,394
32,533	Non-domestic Rates Redistribution			34,145
<b>6,486</b>	<b>Net General Fund Surplus / (Deficit)</b>			<b>2,927</b>
5,707	Balance on General Fund Brought Forward			12,193
<b>12,193</b>	<b>Balance on General Fund Carried Forward</b>	4		<b>15,120</b>

### 1. Joint Boards

Payments are made to Police, Fire, Passenger Transport and Valuation Joint Boards and to the Authorities Buying Consortium. Details of all amounts paid to Joint Boards and where these amounts appear within the Consolidated Revenue Account are shown below:

2003/04		2004/05
£'000	Joint Board	£'000
398	Strathclyde Passenger Transport (within Roads and Transport Services total)	407
8,207	Strathclyde Police Joint Board	8,467
4,580	Strathclyde Fire Joint Board	5,010
1,132	Dunbartonshire and Argyll & Bute Valuation Joint Board (within Central Services to the Public total)	1,190
27	Authorities Buying Consortium (within Other Operating Income and Expenditure total)	26
<b>14,344</b>	<b>Total Joint Boards</b>	<b>15,100</b>

### 2. Asset Management Revenue Account

This account shows the (deficit)/surplus arising from the capital charges made to the service accounts for the use of assets and the cost to the Council of financing these assets.

2003/04		2004/05
£'000		£'000
13,697	Charge for Depreciation/Impairment	14,367
619	Gain on Early Settlement of Borrowing	-
14,819	External Interest Payable	14,870
(25,018)	Capital Charges	(24,602)
-	Capital Element of Finance Lease Payments	(133)
(621)	Release of Government Grant	(710)
<b>3,496</b>	<b>Net Expenditure / ( Income)</b>	<b>3,792</b>

### 3. Contributions to Capital Financing Account

This shows the amount of revenue resources used to finance capital expenditure during the year and the repayment of the principal instalment from the Loans Fund, offset by depreciation/impairment charges (net of Government Grants credit) and the amount of deferred charges written off to revenue.

2003/04		2004/05
£'000		£'000
16	Capital Financed from Current Revenue - General Fund	41
327	Capital Financed from Current Revenue - HRA	274
<b>343</b>	<b>Capital Expenditure Financed from Current Revenue</b>	<b>315</b>
13,498	Principal Loans Fund Instalment	13,749
125	Capital Element of Finance Lease Payments	133
(13,697)	Depreciation/Impairment	(14,367)
(757)	Deferred Charges Written off to Revenue	(559)
621	Release of Government Grant	710
<b>(210)</b>	<b>Reconciling amount for loans fund repayment</b>	<b>(334)</b>
<b>133</b>	<b>Total Contribution to Capital Financing Account</b>	<b>(19)</b>

#### 4. General Fund Balance Carried Forward

The following committed sums are included within the General Fund balance carried forward of £15.120m:-

	£'000
Waste Management PPP	1,640
Corporate Property Strategy	30
Modernising Government Fund	96
Digital Communities	277
Area Budgets	14
Governance and Risk Unit	34
E-Procurement Project	50
Three Islands Partnership	44
Community Safety Partnership	151
Local Action Fund	61
Social Work Funding	1,603
School budgets carried forward as per revised Devolved Management of Schools, Scheme of Delegation	410
IT Top Slice	210
Change Management	77
Sums Committed to Meet the Cost of Teachers Early Retirement	164
Reserve Committed for 2005/2006 budget	1,975
Provision for capital financed from current revenue still to be utilised	190
MGF2 - Young Scot Project	68
<b>Total Committed Funds</b>	<b>7,094</b>

#### 5. Finance and Operating Leases

##### 5.1 Finance Leases

The authority holds various vehicles under finance leases. The finance lease payment for the year amounted to £146,702.

2003/04		2004/05
£'000		£'000
147	Vehicles	147
<b>147</b>	<b>Total</b>	<b>147</b>

##### 5.2 Operating Leases

The Council uses land, buildings, vehicles, plant and equipment financed under the terms of an operating lease. The amounts paid under these arrangements in 2004/05 were as follows:

2003/04		2004/05
£'000		£'000
95	Land and Buildings	129
892	Vehicles	883
313	Plant and Equipment	250
<b>1,300</b>	<b>Total</b>	<b>1,262</b>

#### 6. 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:

##### 6.1 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 & Bute excluding Trunk Roads (which are the responsibility of the Scottish Executive). The Trading objective is to breakeven over a three year period.

	2004/05 Actual £'000	2004/05 Target £'000	3 Year Target £'000	3 Year Actual Performance £'000
Turnover	11,241	9,925	33,980	-
Expenditure	11,224	9,888	33,865	-
<b>Surplus/(Deficit)</b>	<b>17</b>	<b>37</b>	<b>115</b>	<b>-</b>

### 6.2 Waste Management Trading Account

The Council runs its Waste Management Service on the basis of agreements concluded between the Service Managers, the relevant Council Departments and external organisations. The Service includes Waste Collection, Street Sweeping and Skip Services. The Trading objective is to breakeven over a three year period.

	2004/05 Actual £'000	2004/05 Target £'000	3 Year Target £'000	3 Year Actual Performance £'000
Turnover	5,266	5,037	14,850	-
Expenditure	5,255	5,029	14,837	-
<b>Surplus/(Deficit)</b>	<b>11</b>	<b>8</b>	<b>13</b>	<b>-</b>

### 6.3 Leisure Trading Account

The Council runs its Leisure Trading Service on the basis of an agreement concluded between the Service Managers and the Community Services Department. The Service is responsible for the running of all Council owned Swimming Pools, Halls and Sport Centres. The Trading objective is to breakeven over a three year period.

	2004/05 Actual £'000	2004/05 Target £'000	3 Year Target £'000	3 Year Actual Performance £'000
Turnover	2,742	2,692	7,987	-
Expenditure	2,742	2,692	7,977	-
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>

### 6.4 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, Council Offices as well as providing a Cleaning service to external clients such as Police Stations and Outdoor Centres. The Trading objective is to breakeven over a three year period.

	2004/05 Actual £'000	2004/05 Target £'000	3 Year Target £'000	3 Year Actual Performance £'000
Turnover	7,479	6,637	20,365	-
Expenditure	7,478	6,620	20,345	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>17</b>	<b>20</b>	<b>-</b>

### 6.5 Building Maintenance Trading Account

The Council runs its Building Maintenance Service on the basis of agreements concluded between the Service Managers, the relevant Council Departments and external organisations. The Service provides Building Maintenance to all Council owned buildings as well as providing a service to external clients such as the Fire Brigade. The Trading objective is to breakeven over a three year period.

	2004/05 Actual £'000	2004/05 Target £'000	3 Year Target £'000	3 Year Actual Performance £'000
Turnover	2,695	2,097	6,013	-
Expenditure	2,692	2,095	6,000	-
<b>Surplus/(Deficit)</b>	<b>3</b>	<b>2</b>	<b>13</b>	<b>-</b>

### 7. 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 £0.630m was incurred during 2004/05 and is included within service expenditure as follows:

2003/04 £'000		2004/05 £'000
333	Staff advertising	363
42	Leaflets and publications	35
69	Statutory notices	99
134	Other	133
<b>578</b>	<b>Total</b>	<b>630</b>

### 8. Agency Income

The Council received £0.026m from the Authorities Buying Consortium as part of a general return of reserves to member Councils to assist in funding participation in the West of Scotland collaborative buying initiative. There is also an ongoing agency agreement with Scottish Water to collect domestic water and sewerage charges. During 2004/05 income from these agreements amounted to £0.281m.

2003/04 £'000		2004/05 £'000
1	Scottish Veteran Garden City Association and Margaret Blackwood Housing Association	-
180	Scottish Water	255
-	Authorities Buying Consortium	26
<b>181</b>	<b>Agency Income</b>	<b>281</b>

### 9. Local Authorities (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 £1.281m. 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	145	130
Strathclyde Police	Cleaning of Police Stations	101	90
Strathclyde Fire	Maintenance of Fire Stations	569	481
Various Public Bodies	Grounds Maintenance	66	59
Various Councils	Provision Of Science Packs And Health Packs	8	15
Various Councils	Provision of Auxiliary Support	16	16
Lomond & Argyll Primary NHS Trust	Provision of Care for the Elderly	116	116
West Dunbartonshire Council	Provision Of Special Education Needs	260	248
		<b>1,281</b>	<b>1,155</b>

### 10. Health Act 1999 Pooled Funds and Similar Arrangements

The Council has a joint working arrangement with NHS Argyll and Clyde whereby it provides certain types of care of the elderly and services for those with learning disabilities or mental health problems. During 2004/05 income from this source amounted to £3.623m and the related expenditure was £4.700m. These sums can be analysed as follows:

Purpose of Service	Income £'000	Expenditure £'000
Care of the elderly	1,501	2,091
Provision of services for people with learning disabilities	1,580	2,028
Provision of services for people with mental health needs	542	581
	<b>3,623</b>	<b>4,700</b>

### 11. Teachers Pensions - Administered by Scottish Public Pensions Agency

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

2003/04		2004/05
2,989	<b>Amount paid over (£'000)</b>	3,927
	Rate of contribution (%) :	
7.40%	1 April - 30 September	12.50%
12.50%	1 October to 31 March	12.50%
445	<b>Amount of added years awarded by the Council (£'000)</b>	1,013
-	<b>Discretionary payments made by the council (£'000)</b>	-

From 1 April 1999 the Council became responsible for the "Strain on the Fund" costs resulting from early retirements, and during 2004/05 these amounted to £452,750.

### 12. Members' Allowances

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

2003/04		2004/05
£'000		£'000
210	Basic Allowance	219
215	Special Responsibility Allowance	234
<b>425</b>	<b>Total Allowances</b>	<b>453</b>

### 13. Officers' Emoluments

The number of employees whose remuneration, excluding pension contributions was £40,000 or more in bands of £10,000 were:

2003/04		2004/05
No	<b>Remuneration Band</b>	No
32	£40,000 - £49,999	64
18	£50,000 - £59,999	24
3	£60,000 - £69,999	3
4	£70,000 - £79,999	4
-	£80,000 - £89,999	-
1	£90,000 - £99,999	1
-	£100,000 - £109,999	-
1	£110,000 - £119,999 *	-

\* This comprises salary and redundancy payments for an employee who left the Council's service during 2003/04.

### 14. 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 £4.170m which represents the value of the service provided from 1 April 2004 to 31 March 2005. Under the agreement the Council is committed to paying the following sums:

Period	£'000
2005/07	9,935
2007/12	25,497
2012/17	28,265
2017/22	31,396
2022/27	29,980
<b>Total</b>	<b>125,073</b>

This equates to £5.685m per annum over the life of the contract.



### 15. Fees Payable to Audit Scotland

In 2004/05 the following fees relating to external audit and inspection were incurred:

2003/04 £'000		2004/05 £'000
235	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor	272
<b>235</b>		<b>272</b>

### 16. Related Party Transactions

During the year transactions with related parties arose as follows:

	Income £'000	Expenditure £'000
<b>Central Government and Agencies:</b>		
Revenue Grants:		
Revenue Support Grant	116,677	
Non-domestic Rates	34,145	
Housing Benefits / Support Grant	14,984	
Council Tax Benefit Subsidy	10,467	
Other Government Grants	28,720	
	<b>204,993</b>	
Capital Grants:		
European Grants	1,929	
Sportscotland	862	
AIE - Campbeltown Community Project	429	
School Buildings Improvements Fund	1,541	
Other Government Capital Grants	6,884	
	<b>11,645</b>	

	Expenditure £'000
<b>Related Bodies:</b>	
Transactions with related bodies during the year totalled	17,885
Of these, transactions with the following exceeded £10,000:	
Joint Boards (see note 1 for further details)	15,100
Strathclyde Passenger Transport - Concessionary Fares	1,964
Argyll, the Islands, Loch Lomond, Stirling and the Trossachs Tourist Board	177
Bute Council on Alcohol	44
COSLA	78
Dunoon and Cowal Youth Project	16
Islay and Jura Community Enterprise	75
Mid Argyll Community Enterprises	21
NHS Argyll and Clyde	54
Oban and Lorn Enterprises - Atlantis Leisure	308
Oban Youth and Community Association	17
<b>Other Related Party Transactions:</b>	
Transactions in which members have a significant interest	85

**17. Pension – Local Government Superannuation (Scotland) Scheme**

As stated in note 3 of the Statement of Accounting Policies, the Council participates in the Local Government Pension Scheme administered by the City of Glasgow Council's Strathclyde Pension Fund. This Fund provides members with defined benefits relating to pay and service. The contributions are based on rates determined by the Fund's professionally qualified actuary and based on triennial valuations of the Fund. The following transactions have been made during the year in relation to the Local Government Pension Scheme :

2003/04 £'000		2004/05 £'000
	<b>Net Cost of Services:</b>	
6,054	Current Service Cost	9,165
23	Past Service Cost	45
773	Settlements and Curtailments	616
3,783	Provision for Teachers Premature Retirement Scheme	1,111
	<b>Net Operating Expenditure:</b>	
9,014	Interest Cost	13,546
(7,748)	Expected Return on Employer Assets	(15,407)
	<b>Amounts to be met from Government Grants and Local Taxation:</b>	
(4,942)	Movement on Pension Reserve	(1,088)
	<b>Actual amount charged against Council Tax for pensions in the year:</b>	
<b>6,957</b>	Employers Contributions Payable to the Scheme	<b>7,988</b>

Further details on pension assets and liabilities are provided in Note 16 to the Balance Sheet and Note 7 to the Statement of Total Movement on Reserves.

2003/04		2004/05	2004/05
Actual		Actual	Budget
£'000		£'000	£'000
	<b>Expenditure</b>		
4,549	Repairs and Maintenance	4,755	4,470
4,230	Supervision and Management	4,814	4,628
4,382	Capital Financing Costs	3,193	4,303
684	Void House Rents	579	563
115	Bad Debt Write Off	51	-
501	Other expenditure	390	307
327	Contribution to Capital Financing Account	274	-
56	Pensions Interest Cost and Expected Return on Pensions Assets	(76)	-
(60)	Transfers to / (from) the Pension Reserve	(30)	-
<b>14,784</b>	<b>Total Expenditure</b>	<b>13,950</b>	<b>14,271</b>
	<b>Income</b>		
13,714	Rent of houses (gross)	13,435	13,625
88	Non-dwelling Rents	83	102
149	Housing Support Grant	111	103
78	Decrease in Provision for Bad or Doubtful Debts	17	-
939	Other Income	824	431
<b>14,968</b>	<b>Total Income</b>	<b>14,470</b>	<b>14,261</b>
<b>184</b>	<b>(Deficit) / Surplus for Year Prior to CFCR</b>	<b>520</b>	<b>(10)</b>
327	Contribution to Capital Financing Account	274	-
<b>511</b>	<b>(Deficit) / Surplus for Year after CFCR</b>	<b>794</b>	<b>(10)</b>
423	<b>Balance on Housing Revenue Account Brought Forward</b>	474	474
10	<b>Interest Earned on Balance</b>	21	-
184	<b>(Deficit) / Surplus for Year</b>	520	(10)
(143)	<b>Contribution to General Fund</b>	-	-
<b>474</b>	<b>Balance on Housing Revenue Account Carried Forward</b>	<b>1,015</b>	<b>464</b>

**1. Gross Rent Income**

This is the total rent income for the year. Average annual rent charges were £44.27 per week in 2004/05 (2003/04 £42.65)

**2. Housing Stock**

2003/04 No		2004/05 No
198	Sheltered Housing	198
3,001	Other Houses	2,897
1,556	Tenement Flats	1,512
1,277	Other Flats	1,099
<u>6,032</u>	<b>Total Housing Stock</b>	<u>5,706</u>

**3. Rent Arrears and Bad Debts**

Rent arrears at 31/3/2005 were £0.275m (31/3/2004 - £0.324m) and this equated to an average rent arrears per house of £46 (2003/04 - £54).

In accordance with the latest assessment of potential recovery and in order to reflect due prudence, the provision for bad debts, in respect of rent arrears, has been adjusted to £0.173m (2003/04 - £0.189m); this represents a decrease of £0.016m. The share of the sundry debtor account provision for bad debts has decreased by £0.001m.

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

<b>2003/04</b>		<b>2004/05</b>
<b>Actual</b>		<b>Actual</b>
<b>£'000</b>		<b>£'000</b>
46,151	Gross Council Tax Levied and Contributions in Lieu	48,163
	Less:	
(253)	Council Tax Benefits (Net of Government Grant)	-
(7,530)	Other Discounts and Reductions	(8,046)
(1,786)	Provision for Bad and Doubtful Debts	(1,201)
<b>36,582</b>	<b>Total for 2004/05</b>	<b>38,916</b>
837	Adjustment to Previous Years' Community Charge and Council Tax	1,478
<b>37,419</b>	<b>Transfers to General Fund</b>	<b>40,394</b>

### 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 2004/05 was as follows:

Band	Valuation Band	% Band D	£ per year
A	Under £27,000	67%	717
B	£27,000 - £35,000	78%	836
C	£35,000 - £45,000	89%	956
D	£45,000 - £58,000	100%	1,075
E	£58,000 - £80,000	122%	1,314
F	£80,000 - £106,000	144%	1,553
G	£106,000 - £212,000	167%	1,792
H	Over £212,000	200%	2,150

### 2. Calculation of the Council Tax Base 2004/05

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	8,127	9,511	9,361	5,508	6,660	3,444	2,296	216	45,123
<b>Less</b> - Exemptions / Deductions	1,019	690	1,125	411	524	173	121	31	4,094
- Adjustment for Single Chargepayers	904	964	734	404	348	147	82	5	3,588
<b>Effective Number of Properties</b>	<b>6,204</b>	<b>7,857</b>	<b>7,502</b>	<b>4,693</b>	<b>5,788</b>	<b>3,124</b>	<b>2,093</b>	<b>180</b>	<b>37,441</b>
Band D Equivalent Factor (ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
<b>Band D Equivalent Number of Properties</b>	<b>4,136</b>	<b>6,111</b>	<b>6,668</b>	<b>4,693</b>	<b>7,074</b>	<b>4,512</b>	<b>3,488</b>	<b>360</b>	<b>37,042</b>
<b>Add</b> Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									-
<b>Nominal Tax Yield</b>									<b>37,042</b>
<b>Less</b> Provision for Non-Collection - 4.94%									1,853
<b>Council Tax Base 2004/05 - Number of Band D equivalents</b>									<b>35,189</b>

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.

2003/04 Actual £'000		2004/05 Actual £'000
27,691	Gross rates levied	34,106
	Less:	
(2,182)	Reliefs and other deductions	(4,494)
(300)	Payment of interest	(5)
(389)	Provision for bad and doubtful debts	190
<b>24,820</b>	<b>Net Non-domestic Rate Income</b>	<b>29,797</b>
2	Adjustments for years prior to introduction of national non-domestic rate pool	2
7,711	Contribution from / (to) national non-domestic rate pool	4,346
<b>32,533</b>	<b>Guaranteed Rate Income</b>	<b>34,145</b>

## NOTES TO THE NON-DOMESTIC RATE INCOME ACCOUNT

### 1. Analysis of Rateable Values

2003/04 £		2004/05 £
3,392,020	Industrial and freight transport subjects	3,383,850
36,355,931	Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	33,247,591
	Commercial subjects:	
9,519,550	Shops	9,579,410
4,517,005	Offices	4,703,535
6,596,840	Hotels, Boarding Houses etc.	6,399,955
5,462,395	Others	5,586,700
7,951,411	Formula valued subjects	7,705,885
<b>73,795,152</b>	<b>Total Rateable Value</b>	<b>70,606,926</b>

### 2. Non-Domestic Rate Charge

2003/04 Pence		2004/05 Pence
47.8p	Rate Per Pound	48.8p
0.6	Supplementary Rate Per Pound for Properties over £25,000	0.3

### 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.

2003/04 £'000	Note	2004/05 £'000
<b>Fixed Assets</b>		
22	1	28
<i>Intangible Fixed Assets</i>		
<i>Tangible Fixed Assets</i>		
Operational Assets		
64,724	2.1	68,370
- Council Dwellings		
162,223		177,024
- Other Land and Buildings		
4,862		5,956
- Vehicles, Plant and Equipment		
63,163		75,771
- Infrastructure Assets		
329		1,690
- Community Assets		
Non-operational Assets		
212	2.2	327
- Vehicles, Plant and Equipment Under Construction		
9,800		9,244
- Infrastructure Under Construction		
3,014		5,391
- Buildings Under Construction		
13,487		14,035
- Non-operational Land and Buildings		
<b>321,836</b>		<b>357,836</b>
<b>Total Fixed Assets</b>		
559	6	-
Deferred Charges		
1,464	7	1,419
Long Term Debtors		
<b>323,859</b>		<b>359,255</b>
<b>Total Long Term Assets</b>		
<b>Current Assets</b>		
652		678
Stock and Work in Progress		
11,270	8	18,055
Debtors		
-		-
Investments		
850		13,128
Cash and Bank		
<b>336,631</b>		<b>391,116</b>
<b>Total Assets</b>		
<b>Current Liabilities</b>		
(3,702)	9.2	(4,517)
Short Term Borrowing		
(34,347)		(44,433)
Creditors		
(3,670)		(3,850)
Bank Overdraft		
<b>294,912</b>		<b>338,316</b>
<b>Total Assets less Current Liabilities</b>		
(192,574)	9.2	(193,771)
Long Term Borrowing		
(700)		(567)
Deferred Liability - Finance Leases		
(424)	10	(388)
Provisions		
(26,794)	16.1	(81,535)
Liability Related to Defined Benefit Pension Scheme		
<b>74,420</b>		<b>62,055</b>
<b>Total Assets less Liabilities</b>		
<i>Financed by:</i>		
83,220		104,772
Fixed Asset Restatement Account		
296		6,168
Capital Financing Account		
359		467
Useable Capital Receipts Reserve		
13,238		23,881
Deferred Government Grants and Contributions		
(10,203)		(9,653)
Deferred (Premiums) / Discounts		
(26,794)		(81,535)
Pensions Reserve		
12,193		15,120
General Fund Balance		
474		1,015
Housing Revenue Account Balance		
1,637		1,820
Repairs and Renewals Funds		
<b>74,420</b>		<b>62,055</b>
<b>Total Net Worth</b>		



Bruce West  
 Head of Strategic Finance  
 21 June 2005



## 1. Movement in Intangible Assets

	Purchased Software Licences £'000
Original cost at 31/03/04	22
Other	-
<b>Net Book Value at 31/03/04</b>	<b>22</b>
<b>Movement in 2004/05</b>	
Expenditure in Year	10
Disposals	-
Depreciation	(4)
<b>Net Book Value at 31/03/05</b>	<b>28</b>

## 2.1 Movement in Operational Fixed Assets

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total 2004/05 £'000	Total 2003/04 £'000
<b>Certified Valuation at 31/03/04</b>	<b>64,724</b>	<b>182,407</b>					
Accumulated Depreciation		(20,184)					
Accumulated Impairment							
<b>Net Book Value at 31/03/04</b>	<b>64,724</b>	<b>162,223</b>	<b>4,862</b>	<b>63,163</b>	<b>329</b>	<b>295,301</b>	<b>295,310</b>
<i>Movement in 2004/05</i>							
Expenditure in Year	3,401	3,800	2,695	1,586	335	11,817	10,287
Assets Acquired Under Finance Leases						-	801
Disposals	(2,617)		(90)			(2,707)	(3,445)
Revaluations	5,020	17,747			992	23,759	5,152
Transfers (to) / from Non Operational Assets		777		14,193	34	15,004	916
Depreciation	(2,158)	(7,523)	(1,511)	(3,171)		(14,363)	(13,697)
<b>Net Book Value at 31/03/05</b>	<b>68,370</b>	<b>177,024</b>	<b>5,956</b>	<b>75,771</b>	<b>1,690</b>	<b>328,811</b>	<b>295,324</b>

The opening balance for Vehicles Plant and Equipment has been reduced by £0.022m to reflect the value of intangible fixed assets now shown separately on the face of the balance sheet.

## 2.2 Movement in Non-Operational Fixed Assets

	Vehicles Plant & Equipment Under Construction £'000	Infrastructure Under Construction £'000	Buildings Under Construction £'000	Non Operational Land & Buildings £'000	Total 2004/05 £'000	Total 2003/04 £'000
<b>Certified Valuation at 31/03/04</b>						
Accumulated Depreciation				-		
Accumulated Impairment				-		
<b>Net Book Value at 31/03/04</b>	<b>212</b>	<b>9,800</b>	<b>3,014</b>	<b>13,487</b>	<b>26,513</b>	<b>17,694</b>
<i>Movement in 2004/05</i>						
Expenditure in Year	115	13,637	3,253	28	17,033	9,580
Disposals				(90)	(90)	(660)
Revaluations				545	545	816
Transfers (to) / from Operational Assets		(14,193)	(876)	65	(15,004)	(916)
Depreciation					-	-
<b>Net Book Value at 31/03/05</b>	<b>327</b>	<b>9,244</b>	<b>5,391</b>	<b>14,035</b>	<b>28,997</b>	<b>26,514</b>

### 2.3 Valuation of Operational Fixed Assets

Council dwellings were revalued at 31 March 2005 by the District Valuer for Scotland South West, W.R Duthie, F.R.I.C.S., on the basis of Existing Use Value for Social Housing as defined in Practice Statement 4.1 of the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual, the definition of which is as follows:

"Existing Use Value for Social Housing is defined as an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of the valuation."

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:

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Total 2004/05</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Valued at historical cost			5,956	75,771	1,690	83,417
Valued at current value in:						
2004/2005	68,370	97,785				166,155
2003/2004		16,395				16,395
2002/2003		29,377				29,377
2001/2002		50				50
2000/2001		32,112				32,112
1999/2000		1,247				1,247
Valuations inherited at 01/04/96		58				58
<b>Total</b>	<b>68,370</b>	<b>177,024</b>	<b>5,956</b>	<b>75,771</b>	<b>1,690</b>	<b>328,811</b>

### 2.4 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.

	<b>Vehicles Plant &amp; Equipment Under Construction</b>	<b>Infrastructure Under Construction</b>	<b>Buildings Under Construction</b>	<b>Non Operational Land &amp; Buildings</b>	<b>Total 2004/05</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Valued at historical cost	327	9,244	5,391		14,962
Valued at current value in:					
2004/2005				721	721
2003/2004				3,135	3,135
2002/2003				3,118	3,118
2001/2002				5,175	5,175
2000/2001				1,096	1,096
1999/2000				778	778
Valuations inherited at 01/04/96				12	12
<b>Total</b>	<b>327</b>	<b>9,244</b>	<b>5,391</b>	<b>14,035</b>	<b>28,997</b>

## 2.5 Fixed Assets Information on Assets Held at 31/03/05

	2004/05		2004/05
<b>OPERATIONAL BUILDINGS</b>	<b>No.</b>	<b>OPERATIONAL EQUIPMENT</b>	<b>No.</b>
Administrative Buildings	52	Vehicles and Heavy Plant	311
Depots	34		
Social Work Homes for the Elderly	7	<b>INFRASTRUCTURE ASSETS</b>	
Social Work Children's Homes	5	Highways (miles)	1,406
Hostels	6	Bridges	954
Primary Schools	78	Car Parks	138
Secondary Schools	10	Vessels	5
Special Schools	3		
Nursery Schools	3	<b>COMMUNITY ASSETS</b>	
Halls	8	Parks/Play Areas	60
Sports Centres	1	Civic Regalia (Provosts' Chains)	4
Swimming Pools	4	Civic Regalia (Baillies' Chains)	1
Museums and Libraries	10	Cemeteries	125
Community Centres	8	War Memorials	54
Crematoria	1	Works of Art	299
Public Conveniences	77		
Travelling Persons Sites	3	<b>COUNCIL DWELLINGS</b>	5,706
Airports	1		

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

## 3. Summary of Capital Expenditure and Financing

	31 March 2005	31 March 2004
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>226,322</b>	<b>227,091</b>
<b>Capital Investment</b>		
Operational Assets - Expenditure	11,848	10,287
Operational Assets - Finance Leases	-	801
Non-Operational Assets	17,003	9,580
Deferred Charges	-	898
Intangible Assets	10	-
<b>Total Capital Investment</b>	<b>28,861</b>	<b>21,566</b>
<b>Sources of Finance:</b>		
Capital Receipts	(5,651)	(5,499)
Government Grants	(11,353)	(2,108)
Capital Financed from Current Revenue	(315)	(343)
Repayment of External Loans	(13,749)	(13,595)
Capital Element of Finance Lease Payments	(133)	(125)
Capital Receipts from Useable Capital Receipts Reserve	(359)	(400)
Other	(5)	(265)
<b>Total Funding</b>	<b>(31,565)</b>	<b>(22,335)</b>
<b>Closing Capital Financing Requirement</b>	<b>223,618</b>	<b>226,322</b>

#### 4. Assets Held Under Finance Leases

The following values of assets are held under finance leases by the authority, accounted for as part of Tangible Fixed Assets:

	Vehicles, Plant and Equipment £'000
<b>Value at 1 April 2004</b>	700
Additions	-
Depreciation	(133)
Disposals	-
<b>Value at 31 March 2005</b>	<b>567</b>

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2005, accounted for as part of long-term liabilities, are as follows:

	Vehicles, Plant and Equipment £'000
Obligations payable in 2005/2006	133
Obligations payable between 2006/2007 and 2009/2010	434
Obligations payable after 2009/2010 onwards	-
<b>Total liabilities at 31 March 2005</b>	<b>567</b>

#### 5. Assets Held Under Operating Leases

The authority was committed at 31 March 2005 to making payments of £1.308m under operating leases in 2005/2006, comprising the following elements:

##### 5. Assets Held Under Operating Leases

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
Leases expiring in 2005/2006	23	134
Leases expiring between 2006/2007 and 2009/2010	51	825
Leases expiring after 2009/2010 onwards	54	221
	<b>128</b>	<b>1,180</b>

#### 6. Movement in Deferred Charges

	Balance at 1 April 2004 £'000	Expenditure in year £'000	Written off to revenue in year £'000	Balance at 31 March 2005 £'000
Wheeled Bins	559	-	(559)	-
<b>Total Deferred Charges</b>	<b>559</b>	<b>-</b>	<b>(559)</b>	<b>-</b>

#### 7. Long Term Debtors

	31 March 2005 £'000	31 March 2004 £'000
House Loans	601	679
Waste PPP Historic Contamination Fund	818	785
<b>Total Long Term Debtors</b>	<b>1,419</b>	<b>1,464</b>

## 7. Long Term Debtors Cont'd

At the start of the PPP contract during the 2001/02 financial year, a joint bank account was set up with Shanks Group PLC. Only Shanks Group PLC can draw on this fund during the 25 year contract period, Argyll and Bute Council are required to keep the bank account balance "topped" up at £0.750m. At the end of the 25 year contract period the £0.750m will be available to Argyll and Bute Council.

The movement in the bank account balance during the year can be analysed as follows:

	£'000
<b>Balance at 1 April 2004</b>	<b>785</b>
Contribution to General Fund	-
"Top-up" payments during the year	-
Withdrawals by Shanks Group PLC	-
Interest earned on bank account	33
<b>Balance at 31 March 2005</b>	<b>818</b>

## 8. Debtors

		2004/05		2003/04	
		£'000	£'000	£'000	£'000
Arrears of Local Taxation	Council Tax	11,983		11,683	
	less: provision for bad debts	(9,741)		(11,091)	
			2,242		592
Community Charge	Community Charge	7,636		7,697	
	less: provision for bad debts	(7,636)		(7,697)	
			-		-
Non-domestic Rates	Non-domestic Rates	1,573		1,513	
	less: provision for bad debts	(920)		(1,327)	
			653		186
House Rents	House Rents	275		324	
	less: provision for bad debts	(173)		(189)	
			102		135
Debtor Accounts	Debtor Accounts	2,833		2,742	
	less: provision for bad debts	(392)		(411)	
			2,441		2,331
Government Grants			-		1,420
VAT Recoverable			2,775		2,349
Other Debtors			9,842		4,257
<b>Total Debtors</b>			<b>18,055</b>		<b>11,270</b>

## 9. Analysis of Borrowing

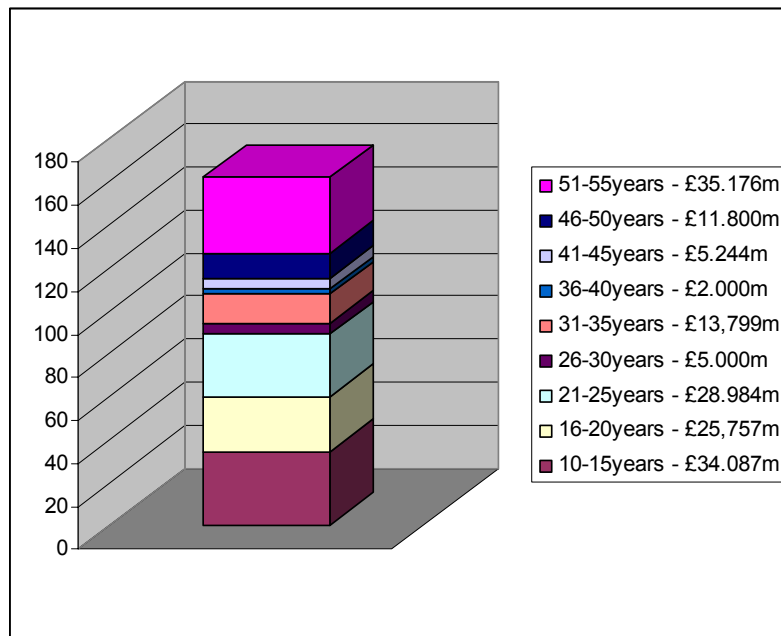
### 9.1 Source of Loan

	31 March 2005	31 March 2004
	£'000	£'000
Public Works Loan Board	171,560	169,178
Money Market	25,755	25,755
EIB	437	830
Other Loans	536	513
<b>Total Outstanding Loans</b>	<b>198,288</b>	<b>196,276</b>

**9. Analysis of Borrowing Cont'd**  
**9.2 Maturity of Loans**

	31 March 2005	31 March 2004
	£'000	£'000
Borrowings repayable on demand or within 12 months	4,517	3,702
<b>Borrowings repayable on demand or within 12 months</b>	<b>4,517</b>	<b>3,702</b>
1 - 2 years	4,012	4,054
2 - 5 years	4,263	8,272
6 - 10 years	23,638	14,294
Over 10 years (see graph)	161,858	165,954
<b>Total Long and Medium Term Loans</b>	<b>193,771</b>	<b>192,574</b>
<b>Total Outstanding Loans</b>	<b>198,288</b>	<b>196,276</b>

The following graph shows an additional analysis of how the £161.858m of long term loans over 10 years, shown in the table above, is repayable.



**10. 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 £0.088m. Full provision for this amount has been made.

Liabilities have also arisen in respect of employees who will be made redundant as a result of restructuring. According to the SORP's (Statement of Recommended Practice) guidance on Provisions for Restructuring Costs: -

"The authority must also have raised valid expectations in those affected by announcing the features of the plan or actually starting to implement it. Allowable costs are restricted to costs that would not have been incurred if the restructuring had not taken place, less any costs associated with on-going activities."

This provision complies 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.

## 10. Provisions Cont'd

	Opening Balance £'000	Movement in Year £'000	Closing Balance £'000
SRC Insurance Claims	(100)	12	(88)
Reorganisation Redundancy Costs	(324)	24	(300)
<b>Total Provisions</b>	<b>(424)</b>	<b>36</b>	<b>(388)</b>

## 11. Analysis of Net Assets Employed

	As at 31 March 2005		
	General Fund £'000	HRA £'000	Total £'000
<b>Assets</b>			
Intangible Fixed Assets	28	-	28
Tangible Fixed Assets	289,438	68,370	357,808
Deferred Charges	-	-	-
Long Term Debtors	1,419	-	1,419
Stock and Work in Progress	678	-	678
Debtors	17,764	291	18,055
Investments	-	-	-
Cash at Bank and in Hand	13,128	-	13,128
<b>Liabilities</b>			
Short Term Borrowing	(3,684)	(833)	(4,517)
Creditors	(43,193)	(1,240)	(44,433)
Bank Overdraft	(3,850)	-	(3,850)
Long Term Borrowing	(158,028)	(35,743)	(193,771)
Deferred Liability Under Finance Leases	(567)	-	(567)
Provisions	(388)	-	(388)
Liability Related to Defined Benefit Pension Scheme	(78,192)	(3,343)	(81,535)
<b>Total Net Assets Employed</b>	<b>34,553</b>	<b>27,502</b>	<b>62,055</b>

## 12. Contingent Gains and Liabilities

The Council has inherited 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 potential for other equal pay claims whose costs will be met by the Council. No financial provision has been made in the 2004/05 Accounts given the uncertainties that surround both the final outcomes and the settlement levels.

The Council has entered into a Public Private Partnership with Shanks Group PLC for the waste management of landfill sites. Under this agreement, the Council retains an element of residual responsibility in respect of specific environmental rectification, which may be necessary in certain circumstances. The Council is of the view that any future liabilities arising from these circumstances should be covered by grants funding.

### 13. Commitments Under Capital Contracts

At 31 March 2005, the Council had commitments on capital contracts of £8.262m. This expenditure will be funded from a combination of government grants, borrowing, income from selling assets and contributions from Revenue Accounts.

	<b>£'000</b>
ICT and Financial Services	138
Community Services	2,346
Infrastructure and Transport	4,878
Operational Services	900
	<b>8,262</b>

### 14. Trust Funds and Other Third Party Funds

The Council acts as sole or custodian trustee for 75 trust funds and 6 common good funds. In neither case do the funds represent assets of the Council, and as such have not been included in the Consolidated Balance Sheet.

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

	<b>Income</b>	<b>Expenditure</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Campbeltown Common Good Fund	27	20	770	770
Oban Common Good Fund	50	32	825	825
Inveraray Common Good Fund	-	-	1	1
Lochgilphead Common Good Fund	-	-	5	5
Dunoon Common Good Fund	-	1	6	6
Rothesay Common Good Fund	11	6	135	135
Argyll Education Trust	22	9	238	238
GM Duncan Trust	3	1	78	78
McDougall Trust	21	-	497	497
Various Other Trust Funds	19	2	423	423
<b>Total Trust Funds</b>	<b>153</b>	<b>71</b>	<b>2,978</b>	<b>2,978</b>

#### *Purpose of Common Good Funds:*

These funds are held for the benefit of residents of the former Burghs within Argyll and Bute.

#### *Purpose of Trust Funds:*

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

### 15. European Monetary Union

As at 31 March 2005, the Council had incurred no expenditure and had made no commitments in respect of the costs associated with the introduction of the Euro. Prior to entry into full Euro trading, a significant review of all systems will require to be undertaken. Consequently an estimate of costs is not available at this stage.

### 16. Pension Assets and Liabilities - FRS 17 Disclosure

In accordance with Financial Reporting Standard No 17 - Retirement Benefits (FRS 17) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

The Council participates in two formal schemes: the Local Government Pension Scheme, administered by Glasgow City Council, and the Teachers Scheme administered by the Scottish Executive. The Council is not required to record information related to the Teachers' Scheme as the liability for payment of pensions rests ultimately with the Scottish Executive. In addition, the Council has liabilities for discretionary payments outside the main schemes.

Due to the timing of salary processing, not all employee and employer contributions have been paid to the Pension Schemes by the 31 March 2005. These payments have been accrued and are included within the creditors figure on the balance sheet. These will be paid within April. The amounts are as follows:

Local Government Pension Scheme - £805,579  
Teacher's Scheme - £478,399



### 16.1 Local Government Pension 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 pensions liabilities and investment assets. The Strathclyde Pensions Fund Office oversees the operation of this scheme.

The latest formal valuation of the Strathclyde Pension Fund for funding purposes was at 31 March 2002. An actuarial valuation is being carried out as at 31 March 2005, this will be reflected in future years. Hymans Robertson has 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 2006 remains substantially stable with new entrants replacing any leavers. The assumptions used by Hymans Robertson (Independent Actuaries) at 31 March 2005 are as follows:

	31 March 2005	31 March 2004
	% per annum	% per annum
Price Increases	2.9%	2.9%
Salary Increases	4.4%	4.4%
Pension Increases	2.9%	2.9%
Discount Rate	5.4%	6.5%

Assets of the employer's share of the fund are valued at fair value, principally market value for investments, and consist of:

	Return within 2004/2005	Fund Value at 31 March 2005	Expected Return 2005/2006
<b>Assets (Employer Share)</b>	<b>% per annum</b>	<b>£'000</b>	<b>% per annum</b>
Equities	7.7%	178,580	7.7%
Bonds	5.1%	32,306	4.8%
Properties	6.5%	23,146	5.7%
Cash	4.0%	7,680	4.8%
<b>Total</b>	<b>7.1%</b>	<b>241,712</b>	<b>7.0%</b>

The net pension asset / (liability) of Argyll and Bute Council as at 31 March 2005 is as follows:

	31 March 2005	31 March 2004
	£'000	£'000
<b>Estimated Employer Assets</b>	<b>241,712</b>	<b>217,495</b>
Present Value of Scheme Liabilities	302,810	231,472
Present Value of Unfunded Liabilities	20,437	17,386
<b>Total Value of Liabilities</b>	<b>323,247</b>	<b>248,858</b>
<b>Net Pension Asset / (Liability)</b>	<b>(81,535)</b>	<b>(31,363)</b>

The Net Pension Liability on the face of the balance sheet for 2003/04 is £26.794m, whereas in the note above the liability at 31 March 2004 is £31.363m. As noted in Point 3.4 of the Statement of Accounting Policies, for the 2004/2005 Statement of Accounts, a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities has been used. Application of this rate has resulted in an increase in liabilities measured at today's prices of £4.569m. The change in the liabilities does not require a prior period adjustment, however, the note above represents the comparative Net Pension Liability using the revised discount rate.

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
- Dunbartonshire and Argyll & Bute Valuation Board

Further information regarding these deficits can be found in the annual report and accounts of the relevant bodies.

Capital Reserves	Note 1	Note 2	Useable Capital Receipts Reserve £'000	Note 3	Note 4	Total £'000
	Fixed Asset Restatement Account £'000	Capital Financing Account £'000		Deferred Gov't Grants £'000	Deferred (Premiums) Discounts £'000	
<b>Balance at 1 April 2004</b>	<b>83,220</b>	<b>296</b>	<b>359</b>	<b>13,238</b>	<b>(10,203)</b>	<b>86,910</b>
Net Surplus/(Deficit) for year		(19)		10,643	550	11,174
Prior year adjustments	41	(41)				-
Unrealised gains/(loss) from revaluation of fixed assets	24,304					24,304
Impairment gains/(losses) arising from revaluations						-
Capital Receipts transferred to/from Useable Capital Receipts Reserve		359	(359)			-
Other Adjustments	4	(47)				(43)
<b>Effects of disposals of fixed assets:</b>						
Cost or value of assets disposed of	(2,797)					(2,797)
Proceeds of disposals		5,620	467			6,087
Net Surplus/(Deficit)	(2,797)	5,620	467			3,290
<b>Balance at 31 March 2005</b>	<b>104,772</b>	<b>6,168</b>	<b>467</b>	<b>23,881</b>	<b>(9,653)</b>	<b>125,635</b>

Revenue Reserves and Funds (Note 5)

	Note 5			Total £'000
	General Fund £'000	HRA Balance £'000	Repairs and Renewals Funds £'000	
<b>Balance at 1 April 2004</b>	<b>12,193</b>	<b>474</b>	<b>1,637</b>	<b>14,304</b>
Net Surplus/(Deficit) for year	2,927	520	183	3,630
Revenue Interest		21		21
Other Adjustments / Reserve Transfers				-
<b>Balance at 31 March 2005</b>	<b>15,120</b>	<b>1,015</b>	<b>1,820</b>	<b>17,955</b>

Pension Reserve

	£'000
<b>Balance at 1 April 2004</b>	<b>(26,794)</b>
Effect of Change of Discount Rate	(4,569)
<b>Revised Opening Balance 1 April 2004</b>	<b>(31,363)</b>
Reversal of Provision for Teachers Premature Retirement Scheme 2003/2004	3,783
Transfer to Revenue	(1,088)
Actuarial Gain / (Loss) in Pension Plan	(52,867)
<b>Balance at 31 March 2005</b>	<b>(81,535)</b>

### 1. Fixed Asset Restatement Account

This account reflects the difference between the book value of assets prior to the implementation of the new system of Capital Accounting and the revalued amounts. Any subsequent revaluations are also recorded here. It is not a revaluation reserve and does not represent resources available to the authority. It cannot be used in any way to finance revenue or capital expenditure and can only be reduced by either writing out the book value of assets or a downward revaluation.

	General Fund £'000	HRA Balance £'000	Total £'000
<b>Balance at 1 April 2004</b>			<b>83,220</b>
Surplus on revaluations, etc	19,284	5,020	<b>24,304</b>
Disposal of Fixed Assets	(180)	(2,617)	<b>(2,797)</b>
Prior year adjustment	41		<b>41</b>
Other Adjustments	4		<b>4</b>
<b>Balance at 31 March 2005</b>			<b>104,772</b>

### 2. Capital Financing Account

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans as well as the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. As with the Fixed Asset Restatement Account it does not represent resources available to the authority.

	General Fund £'000	HRA Balance £'000	Sub Total £'000	Total £'000
<b>Balance at 1 April 2004</b>				<b>296</b>
Appropriations:				
Capital Financed from Current Revenue	41	274	315	
Repayment of External Loans	13,749		13,749	
Capital Element of Finance Lease Payments	133		133	
Depreciation Write-off	(12,209)	(2,158)	(14,367)	
Deferred Government Grants Write-off	710	-	710	
Deferred Charges Write-off	(559)	-	(559)	(19)
Proceeds of Disposals				5,620
Capital Receipts transferred from Useable Capital Receipts Reserve				359
Prior year adjustment				(41)
Other Adjustments				(47)
<b>Balance at 31 March 2005</b>				<b>6,168</b>

### 3. Deferred Government Grants

The Deferred Government Grants Account represents the balance of grants applied to the financing of fixed assets, awaiting amortisation to the asset management revenue account to match depreciation on the relevant assets. As with the Fixed Asset Restatement Account it does not represent resources available to the authority.

	£'000
<b>Balance at 1 April 2004</b>	<b>13,238</b>
Grants received during the year to finance capital projects	11,353
Credit to revenue account during the year	(710)
<b>Balance at 31 March 2005</b>	<b>23,881</b>

#### 4. Deferred (Premiums) / Discounts

The "Loans Early Repayment Premium" represents the premium paid to the Public Works Loans Board and other external bodies upon the early redemption of debt. As part of a loans restructuring exercise, debt at a relatively high interest rate was replaced by new debt at a more attractive rate of interest. These costs associated with the early redemption of debt are charged to the Council's loans fund over the period of the new debt borrowed.

	<b>£'000</b>
<b>Balance at 1 April 2004</b>	<b>(10,203)</b>
New (Premiums) / Discounts	-
Debit / (Credit) to Asset Management Revenue Account	550
<b>Balance at 31 March 2005</b>	<b>(9,653)</b>

#### 5. Repairs and Renewals Funds

	<b>Balance at 31 March 2004 £'000</b>	Contribution from CRA £'000	Interest Earned £'000	Appropriation to CRA £'000	<b>Balance at 31 March 2005 £'000</b>
<b>Revenue Funds:</b>					
Repairs and Renewals - Education	809	570	28	(462)	945
Repairs and Renewals - Vehicles	43	12	2		57
Repairs and Renewals - Land Contamination	785		33		818
	<b>1,637</b>	<b>582</b>	<b>63</b>	<b>(462)</b>	<b>1,820</b>

#### 6. Revenue Reserves and Funds

Revenue reserves are made up of the annual movements in the Consolidated Revenue Account and Housing Revenue Account and also Repairs and Renewals Funds. Revenue reserves can be used to meet both capital and revenue expenditure.

#### 7. Public Private Partnership Surplus

The General Fund balance includes a surplus of £0.028m. This relates to the Waste Management PPP where there was a surplus of funding over expenditure in the 2004/2005 financial year. The following analysis provides more detail on how the surplus for the year was arrived at:

<b>Expenditure</b>	<b>£'000</b>
Payment under the contract:	
Service Cost	4,170
Landfill Tax	609
Historic Contamination	-
<b>Total Expenditure</b>	<b>4,779</b>
<b>Funding</b>	
Argyll and Bute Council Revenue Budget	1,263
Level Playing Field Support	1,290
Strategic Waste Fund - Direct Grant	827
Strategic Waste Fund - Revenue Support Grant (from 1st October 2004)	827
Capital Virement	600
<b>Total Funding</b>	<b>4,807</b>
<b>2004/05</b>	<b>28</b>

#### 8. Actuarial Gain / (Loss) in Pension Plan

The Pension Reserve includes an Actuarial Loss in the Pension Plan. The following analysis provides more detail on how this loss was arrived at, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005. Comparative figures are also noted for the previous two financial years:

	<b>2002/2003</b>		<b>2003/2004</b>		<b>2004/2005</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Differences between the Expected and Actual Return on Assets	(34,762)	(33.44%)	19,563	14.15%	8,174	3.38%
Differences between actuarial assumptions about liabilities and actual experience	(14,501)	(10.01%)	(512)	(0.32%)	(3,449)	(1.07%)
Changes in the demographic and financial assumptions used to estimate liabilities					(57,592)	
<b>Actuarial Gain / (Loss) in Pension Plan</b>	<b>(49,263)</b>		<b>19,051</b>		<b>(52,867)</b>	

2003/04 Actual £'000	REVENUE ACTIVITIES	Note	2004/05 Actual £'000
	<b>Cash outflows</b>		
106,820	Cash Paid for and on Behalf of Employees		118,583
107,460	Other Operating Cash Payments		113,093
7,243	Housing Benefit Paid Out		6,968
995	National Non-domestic Rate Payments to National Pool		-
<b>222,518</b>	<b>Total Cash Outflows</b>		<b>238,644</b>
	<b>Cash inflows</b>		
6,623	Rents (after rebates)		6,292
36,059	Council Tax Income		33,511
30,078	Non-domestic Rate Receipts		33,085
	Community Charge		719
126,569	Revenue Support Grant		117,175
21,278	DWP Grants for Benefits		19,835
7,759	Other Government Grants	1	28,187
23,935	Cash Received for Goods and Services		24,065
3,784	Other Operating Cash Receipts		2,514
<b>256,085</b>	<b>Total Cash Inflows</b>		<b>265,383</b>
<b>33,567</b>	<b>Net Cash Inflow / (Outflow) From Revenue Activities</b>	2	<b>26,739</b>
	<b>SERVICING OF FINANCE</b>		
	<b>Cash outflows</b>		
14,782	Interest paid		13,400
22	Interest element of finance lease		14
<b>14,804</b>	<b>Total Cash Outflows</b>		<b>13,414</b>
	<b>Cash inflows</b>		
372	Interest received		491
<b>372</b>	<b>Total Cash Inflows</b>		<b>491</b>
<b>(14,432)</b>	<b>Net Cash Inflow / (Outflow) From Servicing of Finance</b>		<b>(12,923)</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash outflows</b>		
11,342	Purchase of Fixed Assets		20,274
4,606	Other Capital Cash Payments		1
<b>15,948</b>	<b>Total Cash Outflows</b>		<b>20,275</b>
	<b>Cash inflows</b>		
5,783	Sale of Fixed Assets		5,526
2,099	Capital Grants Received		10,592
344	Other Capital Cash Receipts		560
<b>8,226</b>	<b>Total Cash Inflows</b>		<b>16,678</b>
<b>(7,722)</b>	<b>Cash Inflow (Outflow) From Capital</b>		<b>(3,597)</b>

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2003/04 Actual £'000		Note	2004/05 Actual £'000
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
<u>2,000</u>	Liquid Resources		<u>-</u>
<u>13,413</u>	<b>Net Cash Inflow / (Outflow) Before Financing</b>		<u>10,219</u>
<b>FINANCING</b>			
<i>Cash outflows</i>			
43,073	Repayments of Amounts Borrowed		6,365
125	Capital element of finance lease		133
<u>43,198</u>	<b>Total Cash Outflows</b>		<u>6,498</u>
<i>Cash inflows</i>			
21,846	New Loans Raised		8,377
<u>21,846</u>	<b>Total Cash Inflows</b>		<u>8,377</u>
<u>(21,352)</u>	<b>Net Cash Inflow / (Outflow) From Financing</b>		<u>1,879</u>
<u>(7,939)</u>	<b>Net Increase / (Decrease) in Cash</b>	3	<u>12,098</u>

### 1. Other Government Grants

2003/04 £'000		2004/05 £'000
149	Housing Support Grant	198
-	Private Sector Housing Grant	1,839
342	Public Transport Grant	430
112	Pre-school Education Grants	163
-	Pre-school Gaelic Education Grants	40
1,974	National Priorities Action Fund	2,352
136	Special Education	143
255	Gaelic Education Grants	284
1,261	Other Educational Grants	1,239
-	Education Maintenance Allowance	162
-	Supporting People	16,048
390	Children's Change Fund	663
470	DWP Other Grants	722
475	Social Inclusion Partnership	507
1,792	Strategic Waste Fund	1,137
-	Associated Schools Group	46
-	Discipline Task Group	178
-	Youth Crime	3
403	Other Grants (e.g. Civil Defence)	2,033
<b>7,759</b>	<b>Total "Other Government Grants"</b>	<b>28,187</b>

### 2. Net Cash Flow Reconciliation

2003/04 £'000		2004/05 £'000
6,486	Surplus/(Deficit) for Year	2,927
511	Add back: Transfer to HRA Balance	794
<b>6,997</b>		<b>3,721</b>
(205)	Movements in Reserves	183
20,790	Adjustments Not Involving Movement in Funds	21,749
91	(Increase)/Decrease in Stocks	(26)
385	(Increase)/Decrease in Debtors	(6,017)
5,509	Increase/(Decrease) in Creditors	7,129
<b>33,567</b>	<b>Revenue Activities Net Cash Flow</b>	<b>26,739</b>

### 3. Analysis of Net Debt

	As at 31 March 2005 £'000	As at 31 March 2004 £'000	Cash Flow £'000
Cash at Bank and in Hand	13,128	850	12,278
Bank Overdraft	(3,850)	(3,670)	(180)
<b>Net Increase / (Decrease) in Cash</b>	<b>9,278</b>	<b>(2,820)</b>	<b>12,098</b>
Debt due within one year	(4,517)	(3,702)	(815)
Debt due after one year	(193,771)	(192,574)	(1,197)
<b>(Increase) / Decrease in Debt Financing</b>	<b>(198,288)</b>	<b>(196,276)</b>	<b>(2,012)</b>
<b>Movement in Debt in Period</b>			<b>10,086</b>
<b>Capital Element of Finance Lease</b>			<b>133</b>
<b>Net Cash Flow on Debt and Capital Element of Finance Leases</b>			<b>10,219</b>

4. Reconciliation of Movement in Cash to Net Debt

2003/04		2004/05
£'000		£'000
(7,939)	Increase / (Decrease) in Cash in Period	12,098
21,227	(Increase) / Decrease in Debt Financing	(2,012)
<u>13,288</u>	<b>Movement in Debt in Period</b>	<u>10,086</u>
(212,384)	Net Debt as at 1 April 2004	(199,096)
<u>(199,096)</u>	<b>Net Debt as at 1 April 2005</b>	<u>(189,010)</u>



### THE AUTHORITY'S RESPONSIBILITIES

The Authority 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 authority'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), is required to present fairly, the financial position of the authority as at 31 March 2005 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 presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2005.



**Bruce West**  
Head of Strategic Finance  
21 June 2005

This statement is given in respect of the statement of accounts for Argyll and Bute Council. 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 financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular the system includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Council;
- regular reviews by the Council 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 has 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 is exposed, and annual internal audit plans are based on the analysis. The Council's Audit Committee endorses 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 financial 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;
- the work of internal auditors as described above; and
- the external auditors in their annual audit letter and other reports.

During 2004/05 and the previous year Internal Audit has identified a number of areas of potential weakness in the systems of financial control. They are:-

- Revisions to the Contract Standing Orders to overcome the inadequacy of capital control guidelines were originally to be completed by 31 July 2004. Management is currently addressing this issue and revised Standing Orders are expected now to be completed and approved by the full Council in June 2005.
- Capital project management disciplines were to be improved. Management has taken some steps to address this issue, but has not yet fully completed and approved a guidance handbook of procedures. The latest estimate is that it is expected to be completed by July 2005.
- A Risk Management Strategy has been now approved by the Strategic Management Team (SMT) and a Risk Register compiled. They are to be further developed and implemented during 2005/2006.
- An Information Management and Technology Strategy is now in place and has been approved by the SMT, this is to be further developed and implemented during 2005/2006.
- The Council has now approved an Asset Management Strategy. This is to be further developed and implemented during 2005/2006.
- A number of weaknesses were identified in the accounting for property assets in 2003/2004. These have been progressed in 2004/2005 with those remaining weaknesses planned to be addressed throughout 2005/2006.

In addition attention is drawn to the following matter:

- Although significant resource is allocated towards budgetary control improvements, the continued development of linkages between budget and service planning processes with a corresponding review of procedures and training, will lead to better overall budget management.

In summary, the year-end outturn has resulted in a generally satisfactory position and internal audit's annual report allows me to take comfort that other than as outlined above, reasonable assurance can be placed on the adequacy and effectiveness of the Council's Internal Financial Control System.



**Bruce West**  
Head of Strategic Finance  
21 June 2005

## To the members of Argyll and Bute Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements on pages 6 to 38 under the Local Government (Scotland) Act 1973. The financial statements have been prepared in accordance with the accounting policies set out on pages 6 to 8.

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice approved by the Accounts Commission and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

## Respective responsibilities of the Head of Strategic Finance and Auditor

As described on page 39 the Head of Strategic Finance of the Council is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice ('the SORP'). My responsibilities, as independent auditor, are established by statute and the Code of Audit Practice approved by the Accounts Commission, and guided by the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements present fairly the financial position of the Council at 31 March 2005 and its income and expenditure for the year. I also report if, in my opinion, the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control on page 40 complies with the requirements of the SORP. I report if, in my opinion, the statement does not comply with the requirements or if it is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or risk and control procedures.

I read the other information published with the financial statements and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of Audit Opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Head of Strategic Finance in the preparation of the financial statements and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion the financial statements present fairly the financial position of the Council as at 31 March 2005 and its income and expenditure for the year then ended.



**Angela Cassels BA CPFA**  
**Assistant Director of Audit (Local Government)**  
**Audit Scotland**  
**7<sup>th</sup> Floor, Plaza Tower**  
**East Kilbride**

**30 September 2005**