

2001/2002 ANNUAL ACCOUNTS (UNAUDITED)

1. SUMMARY

The unaudited Annual Accounts should be lodged with the Controller of Audit by 30 June 2002 in accordance with legislation. The unaudited Accounts should also be submitted to Council and a set is attached to this report.

The General Fund shows a surplus position, made up of free reserves of £232,000 and a sum of £255,000 reserved for the 3 Island Partnerships, a total of £487,000. The Housing Revenue Account (HRA) shows a surplus position of £1,151,000.

The Direct Labour Organisations and the Direct Service Organisations returned a net surplus of £157,000. Included in the overall surplus was a deficit on the Property Maintenance DLO of £85,000.

Overall, revenue expenditure was within budget although the Department of Education exceeded their budget provision.

2. RECOMMENDATION

The Council note the submission of the unaudited Accounts within the statutory timescale and note that the unaudited Accounts will also be submitted to the Audit Committee for scrutiny.

3. DETAIL

3.1 Introduction

There is a statutory requirement to prepare a set of Accounts and submit the Accounts to the Controller of Audit and the Council.

The date set for submission of the Accounts by the Scottish Executive, is 30 June of each year.

It should be noted that the Accounts have still to be audited. The Auditors certificate and letter to Members will be submitted to Members immediately after the completion of the audit anticipated for 30 September 2002. Figures are therefore subject to change.

3.2 Outturn for the Year on the General Fund and the Housing Revenue Account

3.2.1 Details are shown on the page in the Accounts headed "Consolidated Revenue Account".

3.2.2 The following table shows the variances between actual and budget for the year (where actual exceeds budget, the difference is shown as a bracketed figure):-

	<u>£000's</u>
Central Services to the Public	233
Central Support Services	115
Development & Environment Services	63
Education	*(891)
Housing & Social Work (excl HRA)	(29)
Loan Charges	764
Local Taxation	326
Transportation & Property	*559
	<u>£1,140</u>
Supplementary estimates, provision for Housing Benefit Subsidy repayment and SINA commitments from 2000/01 not fully covered by savings, less contributions from DLOs & DSOs	(738)
	<u>£402</u>
Housing Revenue Account (HRA)	(490)
(Financed from HRA Reserve)	<u>490</u>
	<u>=</u>

*£200,000 of the Transportation and Property surplus was achieved by Education department deferring capital expenditure and allowing Transportation to capitalise from revenue, thereby achieving a surplus against their original revenue budget i.e. surplus of £200,000 was achieved by Education department's actions and should be taken against the Education department's over-expenditure. The savings were instructed by the Strategic Policy Committee in August 2001 following examination of the 2000/2001 financial outturn.

As can be seen from the table, net expenditure was within budget overall and a surplus of £402,000 resulted. When the surplus of £85,000 at 31.3.2001 is added, it produces the surplus of £487,000 carried forward into 2002/03, per para 3.3.1.

3.2.3 During June, July and August 2001, the Leader chaired a working group on the 2000/2001 Education Department and Transportation and Property Department financial outturn. As part of the continuing monitoring, in October 2001, the major accountancy firm KPMG (who are also in partnership with the Council to provide an internal audit service) were commissioned to express an opinion on financial control within the Education department in respect of the 2001/02 financial

year. This followed comments made in the Revenue Budget Monitoring reports on the reliability of revenue budget information. Following an adverse report from KPMG, the Strategic Policy Committee at its meeting on 21 February 2002, transferred financial control to the Director of Finance. An action plan is in place to improve financial control within the Education department and regular progress reports are submitted to the Strategic Policy committee by the monitoring group. The quality of budget information available within the Education department does not allow a detailed explanation of the variance from the budget to be presented to Members.

3.3 General Fund Reserve & Housing Revenue Account Reserve

3.3.1 The General Fund Reserve at 31 March 2001 amounted to £85,000 and the total sum carried forward at 31 March 2002 amounts to £487,000. A surplus of £147,000 for the year has been achieved and a further sum of £255,000 is included in the surplus but has to be regarded as earmarked for the 3 Islands Partnership. The £255,000 is earmarked because budget provision was made for 2001/02 but expenditure was not fully incurred giving rise to the creation of a surplus balance earmarked for future spending in accordance with the Council's decision.

3.3.2 The Housing Revenue Account Reserve at 31/3/2001 amounted to £1,573,000. A deficit of £490,000 was incurred for the year and interest of £68,000 on the reserve balance was added. The total sum carried forward at 31/3/2002 therefore amounts to £1,151,000.

3.4 Outturn on the Capital Account

In the Composite Programme (which excludes the HRA) Capital Consent exceeded expenditure by £980,000. This Consent can be carried forward and utilised in 2002/2003. The reason for the excess Consent was due to the issue of Public Transport Consent by the Scottish Executive to the Council at the end of March, with expenditure to then take place in 2002/2003. Capital expenditure on the HRA was £14,000 under the Consent and this can be carried forward into 2002/2003.

3.5 Direct Labour Organisations (DLOs) & Direct Service Organisations (DSOs)

The position on DLO/DSO trading is shown on the page headed "SUMMARY DLO/DSO REVENUE AND APPROPRIATION ACCOUNT". Overall, a net surplus of £157,000 has been achieved although the Property Maintenance DLO incurred a loss of £85,000. All other DLOs and DSOs achieved a surplus. In total, over the last 3 years, the Property Maintenance DLO have returned a small surplus.

Stewart McGregor
Director of Finance
17 June 2002

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ACCOUNTS FOR THE PERIOD

1 APRIL 2001 TO 31 MARCH 2002

(Unaudited)

	Page
FOREWORD BY THE DIRECTOR OF FINANCE	2 - 4
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	5
STATEMENT OF ACCOUNTING POLICIES	6 - 7
CONSOLIDATED REVENUE ACCOUNT	8
NOTES TO THE CONSOLIDATED REVENUE ACCOUNT	9 - 12
HOUSING REVENUE ACCOUNT	13
SUMMARY DLO/DSO REVENUE AND APPROPRIATION ACCOUNT	14
COUNCIL TAX INCOME ACCOUNT	15 - 16
NON-DOMESTIC RATE INCOME ACCOUNT	17
CONSOLIDATED BALANCE SHEET	18
NOTES TO THE CONSOLIDATED BALANCE SHEET	19 - 25
STATEMENT OF MOVEMENT ON RESERVES	26
CONSOLIDATED CASH FLOW STATEMENT	27
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT	28 - 29
STATEMENT ON CORPORATE GOVERNANCE	30

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 2001/2002.

Statement of Responsibilities

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

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 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 in Reserves.

Summary DLO/DSO Revenue and Appropriation Account

gives the summarised financial outturn for each DLO/DSO for the financial year. It also shows how the overall surplus or deficit is dealt with. A note to the statement indicates whether the DLO/DSO's have achieved their statutory financial objective. The overall DLO/DSO position is carried to the Consolidated Revenue Account and 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 which is shown in the Consolidated Revenue Account.

Consolidated Balance Sheet

brings together all the assets and liabilities of the Council's General Fund, Direct Labour and Direct Service Organisations 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 the transactions with third parties on both day to day revenue transactions and on capital activities.

Major Changes in Accounting Practice

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 2001/2002 have been prepared in compliance with the 2000 Statement of Recommended Practice (SORP) and the update bulletins for 2001. The format of the Consolidated Revenue Account has been revised on line with the Best Value Accounting Code of Practice (BVACOP) and 2000/2002 comparative figures restated.

Financial Reporting Standard 17 (FRS17) - Retirement Benefits is to be implemented over a three year period into Public Sector Accounts. For the financial year ended 31 March 2002 disclosure is required, as a note to the accounts, of the balance sheet asset or liability of retirement benefits as calculated in accordance with FRS17. These disclosures comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2000 and Update Bulletin 2.

Hymans Robertson 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 2002. Their calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under FRS17 issued by the Institute of Faculty of Actuaries.

Property Valuations

In accordance with the 2000 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 was started in 1999/2000 and has continued during the last two financial years. Of the valuations inherited from the former District and Regional Councils £6.652m of operational and £2.624m of non-operational buildings still require to be valued. It is the intention of Argyll and Bute Council to revalue these properties during the 2002/2003 financial year.

Consolidated Revenue Account

The general fund balance at 31 March 2002 amounted to £0.487m. This is an increase of £0.402m on the 31 March 2001 balance of £0.085m. However, it should be noted that the Council has forward commitments of £0.255m to be funded from this. The Council budgeted for a balanced budget during 2001/2002.

The general fund surplus of £0.402m can be analysed as follows:

	£'m	£'m
Increased Income		
Savings in Loan Charges		0.764
Increase in Council Tax and Community Charge Collection		0.326
DLO/DSO Contributions		<u>0.157</u>
		1.247
Increased Expenditure		
Supplementary Estimates Approved:		
Foot and Mouth Precautionary Measures	(0.129)	
Supporting People Preparations	(0.028)	
Pupil Transport Costs	<u>(0.210)</u>	
		(0.367)
Departmental Outturn Position		(0.478)
General Fund Surplus 31 March 2002		<u>0.402</u>

Departments contained expenditure within approved budgets except for Education where expenditure exceeded budget by £0.691m.

DLO/DSO's

During 2001/2002 the Council's DLO/DSO's achieved a surplus of £0.157m. The surplus has been taken as a contribution to the General Fund. All DLO/DSO's met their statutory financial objective, apart from the Property Maintenance DLO. In a period of financial constraints the overall contribution is a welcome outcome and reflects positively upon the Council's management of direct services.

Housing Revenue Account

The balance on the HRA reserve stands at £1.151m at 31 March 2002. This compares to a budgeted balance of £1.306m. The main factors giving rise to the reduction of £0.155m in the reserve are as follows:

Savings in Capital Financing Costs and Interest Earned	0.146
Increase in Other Income	0.185
Increased	<u>0.331</u>
Additional Expenditure on Repairs and Maintenance	(0.160)
Void House Rents and Provision for Bad Debts	(0.227)
Other Movements	(0.099)
Increased Expenditure	<u>(0.486)</u>
Reduction in HRA Reserve	<u>(0.155)</u>

A contribution of £0.7m to supplement the capital expenditure programme took place during the year in line with the approved budget.

Capital Expenditure

The Council incurs capital expenditure within limits laid down by the Scottish Executive who issue consents under Section 94 of the Local Government (Scotland) Act 1973. Capital receipts (from the sale of buildings, land, etc.) and private sector contributions are used to enhance these consents, subject to certain Scottish Executive restrictions placed on the use of receipts. Details of capital expenditure are as follows:



	Composite Programme	Housing Revenue Account
	£'m	£'m
Net Allocation	15.559	1.607
Usable Capital Receipts	1.175	1.057
Capital Financed from Current Revenue	0.000	0.700
Gross Consent	16.734	3.364
Capital Expenditure	15.754	3.350
Excess Expenditure	(0.980)	(0.014)

Full use of the tolerance limits on capital expenditure was planned. The Council's spending was in line with this plan. However, during late March the Council agreed to take additional consent to safeguard Public Transport Fund projects. The £0.980m carry forward is within tolerance limits allowed and will be offset against the consent available in 2002/2003. Containing expenditure within the tolerance limit demonstrates effective management of the substantial capital investment programmes and the continuing pressure upon these programmes. The composite programme includes all services other than Police, Fire and the Housing Revenue Account. Joint Boards control capital expenditure on Police and Fire and are reported separately thereon. The Housing Revenue Account covers capital expenditure on the Council's stock of houses. The composite programme includes additional consent in relation to Public Transport Funded projects which the Council secured in competition, securing much needed additional investment in the Council area.

Other Significant Matters

The Council has been active in progressing a range of initiatives which are worthy of mention in order to gain a full understanding of the Council's business.

Over the last 2 years the Council has been developing a public private partnership to secure the necessary capital investment to meet the Council's long term waste disposal needs. The contract was signed during September 2001.

The Council secured funding under the new housing partnerships programme. This funding has been utilised to carry out an options appraisal study for large scale voluntary transfer of the housing stock. The options appraisal is now complete and the Council is proceeding with a feasibility study.

In common with other Councils a significant investment in school buildings is required. The Council has adopted a proactive approach to this and has submitted an outline business case to the Scottish Executive as a basis for revenue support for a PPP.

Conclusion

The Council ends the year with a small general fund surplus. The size of the surplus leaves little room for flexibility. Improvements in council tax collection, savings in loan charges, effective management of DLO/DSOs and containment of expenditure in most departments has offset over expenditure on Education. There is a small reduction in the HRA reserve. In overall terms the Council has achieved its objectives in utilising capital consents.

The Council will continue to pursue initiatives to secure additional funding. Budgetary control is being scrutinised to improve financial control within Education.

Stewart McGregor
Director of Finance
28 June, 2002

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

1. 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 Director of Finance.
2. to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

THE DIRECTOR OF FINANCE'S RESPONSIBILITIES

The Director of Finance is responsible for the preparation of the authority's statement of accounts, which in terms of the CIPFA/LA(S)AAC Code of Practice on Local Authority Accounting in Great Britain ("The Code of Practice"), is required to present fairly, the financial position of the authority as at 31 March 2002 and its income and expenditure for the year ended on that date.

In preparing this statement of accounts, the Director of Finance has:

1. selected suitable accounting policies and applied them consistently;
2. made judgements and estimates that were reasonable and prudent;
3. complied with "The Code of Practice".

The Director of Finance has also:

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

The Accounts have been prepared in accordance with the Code of Practice for the publication of Financial Information. Due regard has been given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain.

1. REVENUE ACCOUNTS

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 has been accrued in the period to which it relates 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 are fully allocated over user departments. Allocations have been based on actual or estimated activity levels, time or floor areas.

3. PENSIONS

The cost of providing pensions for employees is charged to the revenue account in accordance with the statutory requirements governing the particular pension schemes to which the Council contributes.

The accounting treatment followed by the Council is not in accordance with the Statement of Standard Accounting Practice 24 (SSAP24), "Accounting for Pension Costs", which requires that the pension costs should be charged to revenue in such a manner as to provide a substantially level charge for current and future pension costs. It is not considered appropriate to reflect non-cash items of this nature in the accounts of the Council and, therefore, the charge for the year represents only the actual contributions paid.

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, reflected in the financial statements, is the actual contribution paid in the year as determined by the actuary.

4. CAPITAL ACCOUNTING

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 by statute as representing proper accounting practices. In Scotland the status of the 1993 Code is derived from the Scottish Office Circular 5/1985 and not from a statutory source. Services have been charged for the assets based on their value rather than on the financing costs of debt outstanding on the asset.

Fixed Assets

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

Disposal of Fixed Assets

The receipts arising from the disposal of fixed assets have been dealt with on an accruals basis. Those of a capital nature are credited to the Capital Financing Reserve.

Depreciation

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 the 2000 SORP which incorporated the introduction of Financial Reporting Standard 15 (FRS15), "Tangible Fixed Assets".

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

5. DEFERRED CHARGES

Deferred charges represent capitalised expenditure which does not result in, or remain matched with, tangible fixed assets. Deferred charges are amortised to the revenue account over a period reflecting the continuing benefit which the Council receives as a result of the expenditure. Expenditure which is considered to represent no continuing benefit to the Council is charged to the revenue account in the year it is incurred. The Council's accounting policy for Deferred Charges was changed in financial year 2000/2001.

Deferred charges arising during the financial year have been written out immediately with service revenue accounts being charged on the basis of the benefit that the service receives as a result of the expenditure. Adjustments have been made through the contribution to the Capital Financing Reserve so that there is no net impact on the amount to be met from government grants and local taxation.

6. 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, where appropriate, a proportion of overheads together with attributable profits and allowances for future losses.

7. PROVISION FOR BAD AND DOUBTFUL DEBT

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.

8. INSURANCE FUND

An insurance fund has been established in accordance with the Local Government (Scotland) Act 1994.

9. RESERVE FUNDS

A Repairs and Renewals Fund has been established in accordance with the Local Government (Scotland) Act 1975. Reserve Funds for the Direct Labour and Direct Service Organisations have been established in accordance with the relevant CIPFA Code of Practice. A Capital Fund has also been established within the Direct Labour Organisation.

10. LEASING

All current leases are classified as "operating leases" 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.

11. ASSETS FINANCED BY COVENANT SCHEMES

The accounting treatment of assets financed under Covenant Schemes is in accordance with Section 4.1 of Guidance Note 1 - Covenant Schemes Accounting Treatment and Disclosures - issued by the Local Authority (Scotland) Accounts Advisory Committee (LA(S)AAC). The Council's indebtedness is recorded as a Deferred Covenant Liability in the Consolidated Balance Sheet. The assets have been valued in accordance with Note 4 above.

12. LOANS FUND

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.

13. DIRECT LABOUR AND DIRECT SERVICE ORGANISATIONS

Accounts for the Direct Labour and Direct Service Organisations are included in summary format in this document. A detailed set of accounts as required by statute are available on request from Council Headquarters. The Consolidated Revenue Account and Balance Sheet include entries from these as appropriate.

14. MAJOR CHANGES IN ACCOUNTING PRACTICE

Financial Reporting Standard 17 (FRS17) - Retirement Benefits is to be implemented over a three year period into Public Sector Accounts. For the financial year ended 31 March 2002 disclosure is required, as a note to the accounts, of the balance sheet asset or liability of retirement benefits as calculated in accordance with FRS17. These disclosures comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2000 and Update Bulletin 2.

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2000/01		2001/02		
Actual		Actual	Actual	Actual
Net		Gross	Gross	Net
Expenditure	Note	Expenditure	Income	Expenditure
£'000		£'000	£'000	£'000
Council Services				
67,265	Education Services	74,926	9,258	65,668
8,557	Environmental Services	15,078	4,714	10,364
7,660	Cultural and Related Services	8,903	1,330	7,573
2,508	Planning and Development Services	3,671	1,446	2,225
22,010	Social Work Services	30,932	6,676	24,256
4,252	Housing Services (Non HRA)	19,380	14,988	4,392
19,306	Roads and Transport Services	25,875	7,295	18,580
669	Trading Services	2,331	1,417	914
Central Services				
1,794	- Central Services to the Public	2,811	1,041	1,770
3,292	- Corporate and Democratic Core	2,916	3	2,913
155	- Unapportionable Central Overheads	225	-	225
(135)	- Other Operating Income and Expenditure	1,442	76	1,366
11,466	Payments to Joint Boards	12,141	-	12,141
148,799	General Fund Services	200,631	48,244	152,387
(383)	Housing Revenue Account	14,741	14,251	490
148,416	Net Cost of Services	215,372	62,495	152,877
(389)	DLO/DSO (Surplus)/Deficit			(157)
830	Net (income) / expenditure on the Asset Management Revenue Account			(1,040)
148,857	Net Operating Expenditure			151,680
383	Surplus/(deficit) transferred to/from HRA Balances			(490)
(757)	Contribution from Funds and Earmarked Reserves			-
(9,614)	Contributions to/(from) Capital Financing Reserve			(3,724)
138,869	Amount to be met from Government Grants and Local Taxation			147,466
75,852	Revenue Support Grant			85,881
32,984	Income from Council Tax			34,641
29,231	Non-domestic Rates Redistribution			27,237
191	Community Charge and Old Rates			109
(611)	Net General Fund Surplus / (Deficit)			402
364	Transfer from HRA Reserves			-
332	Balance on General Fund Brought Forward			85
85	Balance on General Fund Carried Forward			487

The sum of £255,000 included in the balance on the General Fund of £483,000 is committed to the Three Islands Partnership.

1. Joint Boards

This account shows payments to the Police, Fire, Passenger Transport and Valuation Joint Boards and to the Authorities Buying Consortium.

2000/01 £'000		2001/02 £'000
352	Strathclyde Passenger Transport	359
6,406	Strathclyde Police Joint Board	6,722
3,641	Strathclyde Fire Joint Board	3,938
1,038	Dunbartonshire and Argyll & Bute Valuation Joint Board	1,094
29	Authorities Buying Consortium	28
11,466	Total Joint Boards	12,141

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.

2000/01 £'000		2001/02 £'000
16,562	Charge for Depreciation/Impairment	11,932
17,921	External Interest Payable	16,339
(33,165)	Capital Charges	(28,787)
(488)	Release of Government Grant	(524)
830	Net Expenditure / (Income)	(1,040)

3. Contributions to Capital Financing Reserve

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.

2000/01 £'000		2001/02 £'000
134	Capital Financed from Current Revenue - General Fund	-
9,667	Principal Loans Fund Instalment	11,083
(16,562)	Depreciation/Impairment	(11,932)
(3,341)	Deferred Charges Written off to Revenue	(3,399)
488	Release of Government Grant	524
(9,614)	Total Contribution to Capital Financing Reserve	(3,724)

4. Operating Lease Rentals Paid

The Council uses land, buildings, vehicles, plant and equipment financed under the terms of an operating lease. The amounts paid under these arrangements in 2001/02 are as follows:

2000/01 £'000		2001/02 £'000
68	Land and Buildings	68
887	Vehicles	960
395	Plant and Equipment	136
1,350	Total	1,164

In respect of vehicles the Council recovered £0.095m of leased car costs from its employees during 2001/02.

The Council is committed to making payments of £1.079m under operating leases in 2002/2003. These can be analysed as follows:

	£'000
Leases expiring in 2002/2003	181
Leases expiring between 2003/2004 and 2006/2007	781
Leases expiring after 2006/2007 onwards	117
Total	1,079

5. Local Government Act 1973, Section 83 Expenditure

The Council's expenditure under this statute, which is for the benefit of local residents, is limited to the product of £3.80 and the population of the Council's area. For 2001/02 that limit was £0.337m with expenditure of £0.250m being incurred and included within service expenditure. This expenditure covered the cost of Leisure Management Grants, Joint Twinning and the precautionary measures taken with regards to the national outbreak of foot and mouth disease.

6. 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 £0.468m was incurred during 2001/02 and is included within service expenditure as follows:

2000/01 £'000		2001/02 £'000
172	Staff advertising	242
21	Leaflets and publications	14
64	Statutory notices	76
147	Other	136
404	Total	468

7. Agency Income

The Council had an agency agreement with Scottish Homes whereby the Council collected rents on their behalf and arranged for maintenance work to be carried out on their housing stock. This agreement has now ended. In addition the Council has an ongoing agency agreement with the West of Scotland Water Authority to collect water and sewerage rates.

2000/01 £'000		2001/02 £'000
1	Scottish Homes - collection of rents	-
1	Scottish Homes - repair of houses	1
161	West of Scotland Water Authority	173
163	Agency Income	174

8. 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 £3.285m and the related expenditure was £3.193m. The goods and services provided were as follows:

Name of Body	Purpose of work	Income £'000	Expenditure £'000
Glasgow City Council	Provision of care for special needs children	6	6
West Dunbartonshire Council	Provision of care for special needs children	254	242
Highland Council	Provision of care for special needs children	2	2
Strathclyde Fire Brigade	Grounds maintenance	1	1
Bute Housing Association	Grounds maintenance	1	1
Loch Lomond Park Authority	Grounds maintenance	6	5
Strathclyde Police	Grounds maintenance	8	7
Scottish Childrens Administration	Grounds maintenance	1	1
SERCO	Grounds maintenance	41	39
Turner Facilities Management	Grounds maintenance	54	50
North Lanarkshire Council	Cleaning and catering at Kilbowie Outdoor Centre	68	63
Scottish Executive	Trunk road contract works	2,335	2,304
Strathclyde Fire Brigade	Fire station maintenance	404	379
Strathclyde Police	Police station cleaning	104	93
		3,285	3,193

9. Health Act 1999 Pooled Funds and Similar Arrangements

The Council has a joint working arrangement with Argyll and Clyde Health Board whereby it provides, but the Health Board pays for, certain types of care of the elderly and services for those with learning disabilities or mental health problems. During 2001/2002 both income from this source and the related expenditure amounted to £2.031m, which can be analysed as follows:

Purpose of Service	Income £'000	Expenditure £'000
Care of the Elderly	457	457
Provision of services for people with learning disabilities	1,109	1,109
Provision of services for people with mental health problems	465	465
	2,031	2,031

10. Pensions - Local Government Superannuation (Scotland) Scheme

The Council participates in the Superannuation Fund administered by City of Glasgow Council's Strathclyde Pension Fund. This Fund provides members with defined benefits related 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 most recent of which was at 31 March 1999 and set employers contributions as follows:

2000/01 - 200% of employees contributions
2001/02 - 210% of employees contributions
2002/03 - 220% of employees contributions

The value of assets of the scheme as at 31 March 1999 did not exceed 105% of the value of the liabilities of the scheme.

2000/01 £'000		2001/02 £'000
4,055	Pension costs charged to the accounts (£)	4,155
12.00%	as a percentage of pensionable pay (%)	12.60%
10	Discretionary payments made by the council (£)	7
0.029%	as a percentage of pensionable pay (%)	0.021%
-	Expenditure on added years awarded (£)	-
	as a percentage of pensionable pay (%)	

	£'000
The capital cost of discretionary increases in pensions payments agreed by the authority are:	
in the year	90
in earlier years	11,883

This includes both retirements from Argyll and Bute Council itself, and retirements from predecessor authorities for which Argyll and Bute Council is still making payments.

11. Teachers Pensions - Administered by Scottish Public Pensions Agency

2000/01 £'000		2001/02 £'000
1,696	Amount paid over (£)	2,199
6.90%	Rate of contribution (%)	6.90%
431	Amount of added years awarded by the Council (£)	441
-	Discretionary payments made by the council (£)	-

13. Members' Allowances

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

2000/01		2001/02
£'000		£'000
195	Basic Allowance	197
199	Special Responsibility Allowance	207
394	Total Allowances	404

14. Officers' Emoluments

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

2000/01		2001/02
No	Remuneration Band	No
34	£40,000 - £49,999	30
2	£50,000 - £59,999	19
6	£60,000 - £69,999	6
1	£70,000 - £79,999	1
-	£80,000 - £89,999	1

15. Related Party Transactions

During the year transactions with related parties arose as follows:

	Income	Expenditure
	£'000	£'000
Central Government and Agencies:		
Revenue Grants: Revenue Support Grant	85,881	
Non-domestic Rates	27,237	
Housing Benefits / Support Grant	13,714	
Council Tax Benefit Subsidy	4,969	
Other Government Grants	9,163	
Capital Grants: European Grants	21	
Sportscotland	34	
Arts Lottery	25	
Argyll and the Islands Enterprise	45	
Lochnell Sports Development Partnership	19	
Scottish Natural Heritage	9	
Millennium Forest for Scotland Trust	35	
New Deal for Schools	576	
School Buildings Improvements Fund	260	
Other Government Capital Grants	192	
Related Bodies:		
Joint Boards (see note 1 for further details)		12,141
Strathclyde Passenger Transport - Concessionary Fares		727
Argyll, the Islands, Loch Lomond, Stirling and the Trossachs Tourist Board		23
Duke of Edinburgh Award Scheme		3
Argyll and the Islands Enterprise		16
Other Related Party Transactions:		
Companies in which members have a significant interest		53

During the year there was one company in which members had a significant interest where the total of transactions exceeded £5,000, which was as follows:

	£'000
Trident Taxis	48

2000/01		2001/02	2001/02
Actual		Actual	Budget
£'000		£'000	£'000
	Expenditure		
4,502	Repairs and Maintenance	4,674	4,514
3,647	Supervision and Management	3,846	3,867
4,953	Capital Financing Costs	4,727	4,805
402	Void House Rents	528	350
-	Bad Debt Write Off	-	-
137	Provision for bad or doubtful debts	49	-
177	Other expenditure	217	181
700	Contribution to Capital Financing Reserve	700	700
14,518	Total Expenditure	14,741	14,417
	Income		
13,501	Rent of houses (gross)	13,744	13,808
51	Non-dwelling rents	53	64
93	Housing Support Grant	84	93
490	Other income	370	185
14,135	Total Income	14,251	14,150
(383)	(Deficit) / Surplus for Year	(490)	(267)
2,192	Surplus Brought Forward	1,573	1,573
128	Interest Earned on Surplus Brought Forward	68	-
(364)	Contribution to General Fund		-
1,573	Surplus Retained in Housing Revenue Account	1,151	1,306

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Gross Rent Income

This is the total rent income for the year. Average annual rent charges were £39.65 per week in 2001/02 (2000/01 £37.95)

2. Housing Stock

2000/01		2001/02
No		No
198	Sheltered Housing	198
3,556	Other houses	3,453
1,664	Tenement flats	1,617
1,330	Other flats	1,307
6,748	Total Housing Stock	6,575

3. Rent Arrears and Bad Debts

Rent arrears at 31/3/2002 were £0.384m (31/3/2001 - £0.472m) and this equated to an average rent arrears per house of £58 (2000/01 - £70).

In accordance with the latest assessment of potential recovery and in order to reflect due prudence, the provision for bad debts has been adjusted to £0.226m (2000/01 - £0.272m), this represents a reduction of £0.046m.

2000/01 (Surplus) Deficit Actual £'000		2001/02		(Surplus) Deficit Actual £'000
		Total	Total	
		Income	Expenditure	
		Actual	Actual	
		£'000	£'000	£'000
	DLO			
(23)	Property Maintenance	3,623	3,708	85
(137)	Roads - Local	8,646	8,517	(129)
(17)	Roads - Trunk	2,335	2,299	(36)
	DSO			
(146)	Vehicle Maintenance	1,414	1,404	(10)
(18)	Ground Maintenance	2,734	2,717	(17)
(7)	Street Cleansing	899	894	(5)
(16)	Refuse Collection	1,482	1,477	(5)
(7)	Leisure Management	626	611	(15)
(6)	Catering	2,460	2,449	(11)
(12)	Cleaning	1,262	1,248	(14)
(389)	TOTAL	25,481	25,324	(157)

Appropriation Account

	Deficit (Surplus) £'000	Transfer to General Fund £'000	Transfer to Reserve Fund £'000	Balance 31/03/2002 £'000
2001/02	(157)	157	-	-

NOTES TO THE SUMMARY DLO/DSO REVENUE AND APPROPRIATION ACCOUNT

1. Further Information

The detailed accounts for the Direct Labour and Direct Services Organisations are contained in a separate Annual Report, which is published in accordance with the appropriate legislation and is available on request from Council Headquarters.

2. Statutory Financial Objectives

The statutory financial objective for all DSO's and DLO's is to break-even after applying the CIPFA Code of Practice on Capital Accounting. All Direct Labour and Direct Service Organisations have achieved the statutory financial objective except for the Property Maintenance DLO.

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

2000/01		2001/02
Actual		Actual
£'000		£'000
41,443	Gross Council Tax levied and contributions in lieu	43,156
	Less:	
(183)	Council Tax benefits (net of government grant)	(23)
(7,087)	Other discounts and reductions	(7,225)
(1,189)	Provision for bad and doubtful debts	(1,267)
<u>32,984</u>	Net Council Tax Income	<u>34,641</u>

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

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, ie. Band D equivalents as below. This value is then decreased or increased dependant upon the band of the dwelling. The charge for each band for 2001/02 was as follows:

Band	Valuation Band	% Band D	£ per year
A	Under £27,000	67%	£ 656.00
B	£27,000 - £35,000	78%	£ 765.33
C	£35,000 - £45,000	89%	£ 874.67
D	£45,000 - £58,000	100%	£ 984.00
E	£58,000 - £80,000	122%	£ 1,202.67
F	£80,000 - £106,000	144%	£ 1,421.33
G	£106,000 - £212,000	167%	£ 1,640.00
H	Over £212,000	200%	£ 1,968.00

NOTES TO THE COUNCIL TAX INCOME ACCOUNT - Continued

2. Calculation of the Council Tax Base 2001/02

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	8,098	9,412	9,342	5,393	6,483	3,296	2,184	204	44,412
Less - Exemptions / Deductions	(6)	984	674	1,261	426	532	177	99	4,177
- Adjustment for Single Chargepayers	1	918	961	711	397	319	131	75	3,519
Effective Number of Properties	5	6,196	7,777	7,370	4,570	5,632	2,988	2,010	36,716
Band D Equivalent Factor (ratio)	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
Band D Equivalent Number of Properties	3	4,131	6,049	6,551	4,570	6,884	4,316	3,350	36,190
Add Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									763
Nominal Tax Yield									36,953
Less Provision for Non-Collection - 5.4%									1,995
Council Tax Base 2001/02 - Number of Band D equivalents									34,958

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.

2000/01 Actual £'000		2001/02 Actual £'000
33,296	Gross rates levied	34,279
	Less:	
(5,867)	Reliefs and other deductions	(4,298)
(19)	Payment of interest	(90)
(420)	Provision for bad and doubtful debts	(541)
<u>26,990</u>	Net Non-domestic Rate Income	<u>29,350</u>
	Adjustments for years prior to introduction of national non-domestic rates pool	-
2,241	Contribution from / (to) national non-domestic rate pool	(2,113)
<u>29,231</u>	Guaranteed Rate Income	<u>27,237</u>

NOTES TO THE NON-DOMESTIC RATE INCOME ACCOUNT

1. Analysis of Rateable Values

2000/01 £		2001/02 £
3,409,660	Industrial and freight transport subjects	3,436,385
33,258,234	Public utilities including British Rail, British Gas, Hydro Electric etc	37,650,742
	Commercial subjects:	
9,680,920	Shops	9,564,330
4,555,835	Offices	4,615,885
6,819,895	Hotels, Boarding Houses etc.	6,853,740
5,596,495	Others	5,626,415
7,298	Miscellaneous and formula valued subjects	8,020,598
<u>63,328,337</u>	Total Rateable Value	<u>75,768,095</u>

2. Non-Domestic Rate Charge

2000/01 Pence		2001/02 Pence
44.8p	Rate Per Pound Properties under £10,000	45.0p
<u>45.8p</u>	Rate Per Pound Properties over £10,000	<u>47.0p</u>

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.

2000/01 £'000	Note	2001/02 £'000
Fixed Assets		
Operational Assets		
63,290	1	56,848
156,012		167,096
3,988		4,679
57,950		58,926
60		73
Non-operational Assets		
1,918		3,009
237		915
15,258		10,426
298,713		301,972
9,065		9,381
307,778		311,353
Current Assets		
1,178		1,278
9,946	4	14,362
1,885		836
320,787		327,829
Current Liabilities		
(1,095)	5	(946)
(27,352)		(28,160)
(2,891)		(2,761)
289,449		295,962
Total Assets less Current Liabilities		
(207,659)	5	(213,070)
(399)		(319)
(11,113)	6	(11,524)
70,278		71,049
Total Assets less Liabilities		
74,895		74,951
(9,278)		(8,589)
2,900		2,942
Balances		
85		487
1,573		1,151
103		107
70,278		71,049
Total Equity		

Stewart McGregor
 Director of Finance
 June 28, 2002

1.1 Movement on Operational Fixed Assets

	Council Dwellings	Other Land & Buildings	Land	Vehicles & Equipment	Plant	Infrastructure Assets	Community Assets	Total 2001/02	Total 2000/01
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Certified Valuation at 31/3/01	63,290	166,517							
Accumulated Depreciation	-	(3,923)							
Accumulated Impairment	-	(6,582)							
Net Book Value at 31/03/01	63,290	156,012		3,988		57,950	60	281,300	278,173
<i>Movement in 2001/02</i>									
Expenditure in Year	3,102	4,161		2,060		2,974	20	12,317	10,443
Disposals	(1,638)	-		(119)		-	-	(1,757)	(1,214)
Revaluations	(2,694)	6,026		-		-	-	3,332	13,250
Transfers to/(from)	-	7,055		-		1,047	-	8,102	1,628
Depreciation	(2,110)	(5,762)		(1,247)		(2,813)	-	(11,932)	(9,980)
Impairment	-	-		-		-	-	-	(6,582)
Write off to FARR	(3,102)	(396)		(3)		(232)	(7)	(3,740)	(4,418)
Net Book Value at 31/03/02	56,848	167,096		4,679		58,926	73	287,622	281,300

1.2 Movement on Non-Operational Fixed Assets

	Infrastructure Under Construction	Buildings Under Construction	Non Operational Land & Buildings	Total 2001/02	Total 2000/01
	£'000	£'000	£'000	£'000	£'000
Certified Valuation at 31/3/01			15,258		
Accumulated Depreciation			-		
Accumulated Impairment			-		
Net Book Value at 31/03/01	1,918	237	15,258	17,413	10,871
<i>Movement in 2001/02</i>					
Expenditure in Year	2,140	822	-	2,962	1,867
Disposals	(2)	-	(82)	(84)	(483)
Revaluations	-	-	2,305	2,305	6,803
Transfers to/(from)	(1,047)	(144)	(7,055)	(8,246)	(1,627)
Write off to FARR	-	-	-	-	(18)
Net Book Value at 31/03/02	3,009	915	10,426	14,350	17,413

1.3 Valuation of Operational Fixed Assets

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

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Total 2001/02
	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historical cost			4,679	58,926	73	63,678
Valued at current value in:						
2001/2002	56,848	22,163				79,011
2000/2001		41,295				41,295
1999/2000		96,985				96,985
Valuations inherited at 01/04/96		6,653				6,653
Total	56,848	167,096	4,679	58,926	73	287,622

1.4 Valuation of Non Operational Fixed Assets

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

	Infrastructure Under Construction	Buildings Under Construction	Non Operational Land & Buildings	Total 2001/02
	£'000	£'000	£'000	£'000
Valued at historical cost	3,009	915		3,924
Valued at current value in:				
2001/2002			4,350	4,350
2000/2001			1,326	1,326
1999/2000			2,126	2,126
Valuations inherited at 01/04/96			2,624	2,624
Total	3,009	915	10,426	14,350

1.5 Basis for Valuation

Council Dwellings

The basis of valuation is 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."

The valuations were carried out as at 31 March 2002 by an independent valuer, the District Valuer, on the aforementioned basis.

Other Land and Buildings

The basis of valuation is Open Market Value for Existing Use, assessed on either a comparative or depreciated replacement cost basis.

During the current year, revaluations were carried out by the Estates Section of Transportation and Property in accordance with their rolling programme of revaluations.

Vehicles, Plant and Equipment

These assets have been valued using historical cost as a proxy for current replacement cost.

Infrastructure and Community Assets

These assets are valued at depreciated historic cost.

Non Operational Land and Buildings

These have been valued on the basis of open market value taking account of existing and alternative uses.

During the current year, revaluations were carried out by the Estates Section of Transportation and Property in accordance with their rolling programme of revaluations.

1.6 Fixed Assets Information on Assets Held at 31/3/02

	2001/02		2001/02
	No.		No.
OPERATIONAL BUILDINGS		OPERATIONAL EQUIPMENT	
Administrative Buildings	44	Vehicles and Heavy Plant	419
Depots	32		
Social Work Homes for the Elderly	6	INFRASTRUCTURE ASSETS	
Social Work Children's Homes	4	Highways (miles)	1,406
Social Work Hostels	3	Bridges	954
Primary Schools	81		
Secondary Schools	10	COMMUNITY ASSETS	
Special Schools	3	Play Areas	55
Nursery Schools	3	Parks	26
Halls	10	Civic Regalia (Provosts' Chains)	4
Sports Centres	1	Civic Regalia (Baillies' Chains)	1
Swimming Pools	3	Cemeteries	123
Museums and Libraries	10	War Memorials	54
Community Centres	8		
Crematoria	1	COUNCIL DWELLINGS	6,575
Public Conveniences	69		
Travelling Persons Sites	3		
Airports	1		

2. Spending on Capital Projects During the Year

Capital expenditure involves the creation of assets, the benefit of which will be available to future rate and council taxpayers. It is financed from borrowing and therefore the cost of the assets is effectively borne over a period of years. In 2001/02 gross capital expenditure totalled £19.103m, offset by capital income of £3.068m, as follows:

	31 March 2002 £'000	31 March 2001 £'000
Education Services	2,918	2,574
Development and Environment Services	1,966	1,976
Social and Housing Services	3,532	3,485
Housing Revenue Account	3,349	3,175
Transportation and Property Services	5,174	3,459
Central Support	2,164	1,343
Total Expenditure	19,103	16,012
Financed by:		
Sale of Council Houses	873	689
Sale of Other Assets	648	612
Grants	1,216	1,203
Other Capital Receipts	331	178
Capital from Current Revenue	700	834
Borrowing	15,335	12,496
Total Financing	19,103	16,012

3. Assets Held Under Finance Leases

There were no assets held under finance leases during the year.

4. Debtors		2001/02	£'000	2000/01	£'000
Arrears of Local Taxation	Council Tax	11,721		11,324	
	less: provision for bad debts	<u>(10,522)</u>	1,199	<u>(9,256)</u>	2,068
	Community Charge	7,919		8,060	
	less: provision for bad debts	<u>(7,896)</u>	23	<u>(8,016)</u>	44
	Non-domestic Rates	2,817		2,434	
	less: provision for bad debts	<u>(2,319)</u>	498	<u>(1,972)</u>	462
House Rents		316		373	
less: provision for bad debts		<u>(226)</u>	90	<u>(272)</u>	101
Debtor Accounts		4,796		3,866	
less: provision for bad debts		<u>(785)</u>	4,011	<u>(813)</u>	3,053
Government Grants			318		
VAT Recoverable			2,215		1,417
Other Debtors			6,008		2801
Total Debtors			14,362		9,946

5. Analysis of Borrowing

5.1 Source of Loan	31 March	31 March
	2002	2001
	£'000	£'000
Public Works Loan Board	193,538	187,819
Money Market	18,547	18,500
EIB	1,809	2,164
Other Loans	122	271
Total Outstanding Loans	214,016	208,754

5.2 Maturity of Loans	31 March	31 March
	2002	2001
	£'000	£'000
Borrowings repayable on demand or within 12 months	946	1,095
Borrowings repayable on demand or within 12 months	946	1,095
1 - 2 years	160	1,292
2 - 5 years	1,596	2,714
6 - 10 years	4,331	1,409
Over 10 years	206,983	202,244
Total Long and Medium Term Loans	213,070	207,659
Total Outstanding Loans	214,016	208,754

6. Deferred Government Grants

	£'000
Balance at 1 April 2001	11,113
Grants received during the year to finance capital projects	935
Credit to revenue account during the year	(524)
Balance at 31 March 2002	11,524

7. Analysis of Net Assets Employed

	As at 31 March 2002			Total £'000
	General Fund £'000	HRA £'000	DSO/DLO's £'000	
Assets				
Fixed Assets	245,124	56,848	-	301,972
Long Term Debtors	9,381	-	-	9,381
Stock and Work in Progress	304	-	974	1,278
Debtors	14,262	90	10	14,362
Cash at Bank and in Hand	836	-	-	836
Liabilities				
Short Term Borrowing	(971)	16	9	(946)
Creditors	(26,372)	-	(1,788)	(28,160)
Bank Overdraft	(2,761)	-	-	(2,761)
Long Term Borrowing	(168,477)	(44,524)	(69)	(213,070)
Deferred Covenant Liability	(319)	-	-	(319)
Government Grants Deferred	(11,524)	-	-	(11,524)
Total Net Assets Employed	59,483	12,430	(864)	71,049

8. Insurance Fund

An Insurance Fund has been established in accordance with the Local Government (Scotland) Act 1994. The balance at 31 March 2002 was £1.270m (2000/2001 - £1.234m). The fund represents contributions made from the General Fund and does not yet cover specific uninsured risks.

9. 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 outcome of these applications is unknown at this time, although there is the possibility that the Council may lose at least some of these cases. No financial provision has been made in the 2001/2002 Accounts given the uncertainties which 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.

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 which make up the former Strathclyde Region. Argyll and Bute Council's share of liabilities which materialise in the future will be approximately 4%. At present, potential liabilities in respect of insurance claims and various legal actions could cost the Council £0.214m. Full provision for this amount has been made.

A provision in respect of insurance claims and various legal actions from the former Strathclyde Regional Council was set up during the 1999/2000 financial year, this was adjusted in subsequent years to reflect the overall movement in the claims position during each year. This provision complies with the requirements of FRS 12 (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.

	£'000
Opening Balance	(332)
Movement in the Year	118
Closing Balance	(214)

11. Commitments Under Capital Contracts

At 31 March 2002, the Council had commitments on capital contracts of £4.573m. This expenditure will be funded from a combination of government capital consent (borrowing), income from selling assets and contributions from Revenue Accounts.

	£'000
Administration Buildings and Equipment	287
Information Technology	48
Development and Environment Services	706
Education	690
Social Work	41
Roads	611
Housing	2,115
Miscellaneous	75
	4,573

12. Trust Funds and Other Third Party Funds

The Council acts as sole or custodian trustee for 76 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. The funds have not been subject to an independent audit.

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

	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Campbeltown Common Good Fund	27	9	430	430
Oban Common Good Fund	43	4	775	775
Inveraray Common Good Fund	-	-	1	1
Lochgilthead Common Good Fund	-	-	5	5
Dunoon Common Good Fund	-	-	8	8
Rothesay Common Good Fund	9	7	101	101
Argyll Education Trust	19	12	200	200
GM Duncan Trust	3	2	73	73
McDougall Trust	19	-	445	445
Moore's Mortification Fund	4	-	104	104
Various Other Trust Funds	17	2	372	372
Total Trust Funds	141	36	2,514	2,514

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. Moore's Mortification Fund: to provide benefits to the needy of that part of the Parish of Cardross lying between Auchentroe and Keppoch. 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 the Corporate Accounting Section of the Finance Department.

13. European Monetary Union

As at 31 March 2002, 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.

14. Pensions - FRS 17 Disclosure

Financial Reporting Standard 17 (FRS17) - Retirement Benefits is to be implemented over a three year period into Public Sector Accounts. For the financial year ended 31 March 2002 disclosure is required, as a note to the accounts, of the balance sheet asset or liability of retirement benefits as calculated in accordance with FRS17.

The net pension asset of Argyll and Bute Council as at 31 March 2002 can be calculated as follows:

	31 March 2002 £'000
Estimated Employer Assets (A)	126,113
Present Value of Scheme Liabilities	107,385
Present Value of Unfunded Liabilities	10,992
Present Value of Teachers' Unfunded Liabilities	981
Total Value of Liabilities (B)	119,358
Net Pension Asset (A-B)	6,755

14. Pensions - FRS 17 Disclosure Cont'd

The following information is provided on the Assets of the whole fund:

Assets (Whole Fund)	Long Term Return % per annum	Fund Value at 31 March 2002 £'000	Expected Return per annum £'000
Equities	7.5%	4,680,000	351,000
Bonds	5.5%	613,000	33,715
Properties	6.0%	540,000	32,400
Cash	4.0%	187,977	7,519
Total		6,020,977	424,634

The assumptions used by Hymans Robertson at 31 March 2002 are as follows:

	% per annum
Price Increases	2.8%
Salary Increases	4.3%
Pension Increases	2.8%
Discount Rate	6.4%

	CAPITAL RESERVES			REVENUE RESERVES			Total £'000
	Fixed Asset	Capital	Earmarked	General	Housing	DLO/DSO	
	Restatement	Financing	Reserves	Fund	Revenue	Account	
	Reserve	Reserve					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2001	74,895	(9,278)	2,900	85	1,573	103	70,278
Net surplus/(deficit) for year				402	(490)	157	69
Unrealised (gains)/loss, from revaluation of fixed assets	5,637						5,637
Interest			112		68	4	184
Contribution (to) / from General Fund		(3,724)	-			(157)	(3,881)
Contribution (to) / from HRA		700					700
Capital Discharged on House Loans		(108)					(108)
Net Book Value of assets disposed of	(1,841)						(1,841)
Capital Receipts Applied		3,821					3,821
Expenditure			(70)				(70)
Write off Deferred Charges at 1 April 2000							-
Expenditure not through Fixed Asset Register	(3,740)						(3,740)
Balance at 31 March 2002	74,951	(8,589)	2,942	487	1,151	107	71,049

NOTES TO THE STATEMENT OF MOVEMENT OF RESERVES

1. Fixed Asset Restatement Reserve

This reserve 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.

2. Capital Financing Reserve

The Capital Financing Reserve 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 Reserve it does not represent resources available to the authority.

3. Earmarked Reserves

	Balance at 1 April 2001 £'000	Contributions £'000	Interest £'000	Appropriation to CRA £'000	Balance at 31 March 2002 £'000
Education Reserves	342			(49)	293
Repairs and Renewals - Vehicles	584		25		609
Repairs and Renewals - General	649		29	(3)	675
Insurance Fund	1,234		54	(18)	1,270
DLO Capital Fund	91		4		95
Total Earmarked Reserves	2,900	-	112	(70)	2,942

4. Revenue Reserves

Revenue reserves are made up of the annual movements in the Consolidated Revenue Account, Housing Revenue Account and the DSO/DLO Appropriation Account. The Housing Revenue Account reserves carried forward are ring-fenced and as such can only be used for the benefit of Council House Tenants. Revenue reserves can be used to meet both capital and revenue expenditure.

2000/01			2001/02
Actual	REVENUE ACTIVITIES	Note	Actual
£'000	<i>Cash outflows</i>		£'000
87,151	Cash Paid for and on Behalf of Employees		93,098
65,866	Other Operating Cash Payments		85,349
6,460	Housing Benefit Paid Out		6,375
	National Non-domestic Rate Payments to National Pool		6
159,477	Total Cash Outflows		184,828
	<i>Cash inflows</i>		
6,949	Rents (after rebates)		6,565
28,717	Council Tax Income		30,277
30,014	Non-domestic Rate Receipts		31,114
191	Community Charge		131
75,852	Revenue Support Grant		85,912
17,531	DSS Grants for Benefits		18,538
6,865	Other Government Grants	1	8,014
16,291	Cash Received for Goods and Services		17,015
7,393	National Non-domestic Rate Receipts from National Pool		
5,536	Other Operating Cash Receipts		4,255
195,339	Total Cash Inflows		201,821
35,862	Net Cash Inflow / (Outflow) From Revenue Activities	2	16,993
	SERVICING OF FINANCE		
	<i>Cash outflows</i>		
22,561	Interest paid		15,655
22,561	Total Cash Outflows		15,655
	<i>Cash inflows</i>		
107	Interest received		210
107	Total Cash Inflows		210
(22,454)	Net Cash Inflow / (Outflow) From Servicing of Finance		(15,445)
	CAPITAL ACTIVITIES		
	<i>Cash outflows</i>		
5,525	Purchase of Fixed Assets		7,191
5,456	Other Capital Cash Payments		5,620
10,981	Total Cash Outflows		12,811
	<i>Cash inflows</i>		
2,959	Sale of Fixed Assets		3,576
1,008	Capital Grants Received		1,230
127	Other Capital Cash Receipts		276
4,094	Total Cash Inflows		5,082
(6,887)	Cash Inflow (Outflow) From Capital		(7,729)
6,521	Net Cash Inflow / (Outflow) Before Financing		(6,181)
	FINANCING		
	<i>Cash outflows</i>		
101,470	Repayments of Amounts Borrowed		14,184
101,470	Total Cash Outflows		14,184
	<i>Cash inflows</i>		
95,463	New Loans Raised		19,446
95,463	Total Cash Inflows		19,446
(6,007)	Net Cash Inflow / (Outflow) From Financing		5,262
514	(Decrease) / Increase in Cash and Cash Equivalents	3	(919)

1. Other Government Grants

2000/01 £'000		2001/02 £'000
93	Housing Support Grant	142
253	Rural Transport Grant	287
2,475	Pre School Education Grants	2,566
-	Excellence Fund	1,456
-	Special Education	25
258	Gaelic Education Grants	258
3,540	Other Educational Grants	831
-	ChildCare Strategy	105
-	Children's Change Fund	57
-	DWP Other Grants	200
-	Social Inclusion Partnership	206
-	Strategic Waste Fund	885
246	Other Grants (e.g. Civil Defence)	996
6,865	Total "Other Government Grants"	8,014

2. Net Cash Flow Reconciliation

2000/01 £'000		2001/02 £'000
(611)	Surplus/(Deficit) for Year	402
(383)	Add back: Transfer to HRA Balance	(490)
(994)		(88)
(469)	Movements in Reserves	46
21,786	Adjustments Not Involving Movement in Funds	20,708
(20)	(Increase)/Decrease in Stocks	(100)
4,937	(Increase)/Decrease in Debtors	(4,445)
10,622	Increase/(Decrease in Creditors)	872
35,862	Revenue Activities Net Cash Flow	16,993

3. Analysis of Net Debt

	As at 31 March 2002 £'000	As at 1 April 2001 £'000	Cash Flow £'000
Cash at Bank and in Hand	836	1,885	(1,049)
Bank Overdraft	(2,761)	(2,891)	130
Increase/(Decrease) in Cash and Cash Equivalents	(1,925)	(1,006)	(919)
Debt due within one year	(946)	(1,095)	149
Debt due after one year	(213,070)	(207,659)	(5,411)
Increase / (Decrease) in Debt Financing	(214,016)	(208,754)	(5,262)
Movement in Debt in Period	(215,941)	(209,760)	(6,181)

4. Reconciliation of Movement in Cash to Net Debt

2000/01 £'000		2001/02 £'000
514	Increase / (Decrease) in Cash in Period	(919)
6,007	Increase / (Decrease) in Debt Financing	<u>(5,262)</u>
6,521	Movement in Debt in Period	(6,181)
<u>(216,281)</u>	Net Debt as at 1 April 2001	<u>(209,760)</u>
<u>(209,760)</u>	Net Debt as at 1 April 2002	<u>(215,941)</u>



2001-2002 ANNUAL ACCOUNTS
STATEMENT ON CORPORATE GOVERNANCE

Argyll & Bute Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. To this end, the Council has approved and adopted a code of corporate governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Corporate Governance in Local Government: A keystone for Community Governance*. A copy of the code can be obtained from the Director of Corporate & Legal Services.

During the year, the Council has started to put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically, it has carried out a review of its corporate governance management and prepared a local code of corporate governance. The local code of governance was approved by Council on 7 February 2002. The Director of Corporate & Legal Services has been given responsibility for:

1. Overseeing the implementation and monitoring the operation of the code
2. Reviewing the operation of the code in practice
3. Reporting annually to the Standards Committee on compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, the Council's chief internal auditor has been given the responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of the code and the extent of compliance with it.

In summary the Council has approved a local code of corporate governance. This will be monitored and reported on during the 2002/2003 financial year. A statement on compliance with the code will be included in future years accounts.