

2006/07 Actual Net Expenditure £'000		2007/08		
		Actual Gross Expenditure £'000	Actual Gross Income £'000	Actual Net Expenditure £'000
	Council Services			
92,808	Education Services	105,736	20,244	85,492
15,188	Environmental Services	20,988	5,388	15,600
8,932	Cultural and Related Services	9,844	21	9,823
3,163	Planning and Development Services	8,574	4,520	4,054
40,350	Social Work Services	54,579	11,755	42,824
(929)	Housing Services (Non-HRA)	37,729	35,899	1,830
(10,828)	Housing Services (HRA)	-	-	-
15,506	Roads and Transport Services	24,133	7,443	16,690
1,214	Trading Services	4,952	3,276	1,676
	Central Services			
2,252	- Central Services to the Public	3,529	1,120	2,409
4,096	- Corporate and Democratic Core	5,382	600	4,782
(2,982)	- Non-distributed Costs	876	6	870
1,257	- Other Operating Income and Expenditure	1,272	-	1,272
9,883	Strathclyde Police Joint Board	9,823	-	9,823
5,315	Strathclyde Fire Joint Board	5,456	-	5,456
185,225	Net Cost of General Fund Services	292,873	90,272	202,601
1,707	Share of Operating Results of Associates			1,545
186,932	Net Cost of Services			204,146
4,998	Net (Gain)/Loss on Disposal of Fixed Assets			5,291
(12)	Share of Associates (Gain)/Loss on Disposal of Fixed Assets			43
24,719	External Interest Payable			11,172
326	Share of Interest Payable by Associate			351
(1,702)	Interest and Investment Income			(1,637)
(242)	Share of Associate Interest and Investment Income			(342)
(2,740)	Pensions interest costs and expected return on pension assets			(3,845)
8,419	Share of Associate Pensions interest costs and expected return on pension assets			9,092
220,698	Net Operating Expenditure			224,271
131,957	General Government Grants			142,282
45,059	Income from Council Tax			46,493
33,828	Distribution from Non-domestic rate pool			33,171
(9,854)	Deficit for Year			(2,325)

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

2006/07 £'000		2007/08 £'000
385	Surplus / (Deficit) on Income and Expenditure Account for the Year	8,424
	Add:	
(10,198)	(Deficit) attributable to Associates	(10,689)
(41)	Surplus / (Deficit) attributable to Common Good Funds	(60)
<u>(9,854)</u>	Group Account Deficit for the Year	<u>(2,325)</u>

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

2006/07		2007/08
£'000		£'000
(9,854)	Group Account Deficit for the Year	(2,325)
(1,915)	Deficit on Revaluation of Fixed Assets	13,790
41,277	Actuarial Gains on Pension Fund Assets and Liabilities	68,939
51	Other Gains or Losses to be Included in the STRGL	76
29,559	Total Recognised Gains and (Losses)	80,480

2006/07 £'000			2007/08 £'000
	Fixed Assets		
155	<i>Intangible Fixed Assets</i>		193
	<i>Tangible Fixed Assets</i>		
	Operational Assets		
173,023	- Other Land and Buildings		169,347
7,250	- Vehicles, Plant and Equipment		6,206
97,717	- Infrastructure Assets		112,629
1,962	- Community Assets		2,014
	Non-operational Assets		
6,704	- Investment Property		6,682
21,624	- Assets Under Construction		21,233
4,947	- Surplus Assets held for Disposal		15,573
313,382	Total Fixed Assets		333,877
1,230	Other Long Term Investments		1,229
1,079	Long Term Debtors		4,582
-	Asset Related to Defined Benefit Pension Schemes		818
315,691	Total Long Term Assets		340,506
	Current Assets		
253	Stock and Work in Progress	245	
16,622	Debtors	20,334	
6,227	Cash and Bank	43,438	64,017
338,793	Total Assets		404,523
	Current Liabilities		
(389)	Short Term Borrowing	(504)	
(31,034)	Creditors	(35,361)	
(6,484)	Bank Overdraft	(3,976)	(39,841)
300,886	Total Assets less Current Liabilities		364,682
(157,302)	Long Term Borrowing	(187,113)	
(1,470)	Deferred Liability - Finance Leases	(1,072)	
(38,691)	Government Grants - Deferred	(50,683)	
(4,026)	Provisions	(6,018)	
(163,642)	Investment in Associate	(138,343)	
(34,782)	Liability Related to Defined Benefit Pension Scheme	-	(383,229)
(99,027)	Total Assets less Liabilities		(18,547)
	<i>Financed by:</i>		
-	Revaluation Reserve		13,559
75,249	Capital Adjustment Account		73,777
2,539	Useable Capital Receipts Reserve		2,681
-	Capital Fund		1,356
(34,782)	Pensions Reserve		818
(7,235)	Financial Instruments Adjustment Account		(6,751)
24,798	General Fund Balance		31,213
(163,642)	Group Reserves		(138,343)
1,455	Common Good Reserves		1,491
255	Housing Revenue Account Balance		-
2,336	Repairs and Renewals Funds		1,652
(99,027)	Total Net Worth		(18,547)

1. INTRODUCTION

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

2. GROUP ACCOUNTING POLICIES

The group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 8 to 12 with the exception of the following:

- The Strathclyde Partnership for Transport financial statements has been prepared under the historic cost convention. Therefore all land and buildings are reported at cost less accumulated depreciation.

3. COMBINING ENTITIES

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

The Associates which have been incorporated are:

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

The accounting period for all entities is 31 March 2008.

4. NON MATERIAL INTEREST IN OTHER ENTITIES

The Council had an interest in the Authorities Buying Consortium. The Authorities Buying Consortium was a Joint Committee of all councils in the West of Scotland. It was the largest non profit making purchasing agency in Scotland and served the buying needs of the public sector, charities and voluntary organisations. From 1st April 2008 Scotland Excel has taken over the functions of the Authorities Buying Consortium on a Scotland wide basis.

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

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

5. NATURE OF COMBINATION

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

6. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates and Common Good Funds on the Group Balance Sheet is to decrease both reserves and net worth by £136.852m. This gives an overall net liability for the Group of £18.547m. This net liability position is due to the FRS17 Pension Liability within the Associates' Single Entity Accounts. This can be summarised as follows:-

	Pension Liability per Associates Accounts	Argyll and Bute Council's Group Share
	£'m	£'m
Strathclyde Joint Police Board	2,941.926	116.794
Strathclyde Fire and Rescue Joint Board	820.228	31.907
Total Pension Liability of Associates	3,762.154	148.701

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

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

7. FURTHER DETAILS ON CONSOLIDATION

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

Strathclyde Police Joint Board

Strathclyde Police Joint Board is the statutory corporate body established under the Strathclyde Combined Police Area Amalgamation Order 1975 and provides a comprehensive range of policing services on behalf of the 12 constituent local authorities in the West of Scotland. During 2007/08 the Council contributed £9.823m or 3.97% of the Board's estimated running costs and its share of the net liability on the balance sheet is £112.582m and is included in the Group Balance Sheet. The accounts of the Board are subject to independent audit and can be obtained from the Treasurer to Strathclyde Police Joint Board, Glasgow City Chambers, Glasgow G2 1DU.

Strathclyde Fire and Rescue Joint Board

This is the statutory body responsible for supervising the activities of Strathclyde Fire and Rescue Service. Strathclyde Fire and Rescue provides fire and emergency cover for the 12 constituent local authorities in the West of Scotland. The Council contributed £5.456m to the Board's revenue costs in 2007/08 or 3.89% and has accounted for £27.329m as its representative share of the Net Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit scrutiny and available from the Treasurer to Strathclyde Fire and Rescue Joint Board, Bothwell Road, Hamilton ML3 0EA.

Strathclyde Partnership for Transport

This is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the West of Scotland. The greater part of the funding comes from the Scottish Government in the form of Special Rail Grant which finances the rail franchise payments and ensures the delivery of rail services within the Board's area as specified within the rail franchise agreement. The Council contributed £0.433m or 1.24% of the Board's estimated net running costs during 2007/08 and accounted for £0.899m of the Net Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint Board

This body comprises the 12 local authorities within the West of Scotland which oversees the operations of the concessionary fares scheme for public transport within its area. The costs of the scheme are met by a combination of funding from the 12 constituent councils and direct grant funding from the Scottish Government. From 1 April 2006 the rollout of the national concessionary fares scheme has seen a significant funding change with the vast majority of funding now coming directly from the Scottish Government. During 2007/08 the Council contributed £0.126m or 4.14% of the net annual running costs and accounted for £0.383m of the Net Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Concessionary Travel Scheme, Consort House, 12 West George Street, Glasgow G2 1HN.

Dunbartonshire and Argyll and Bute Valuation Joint Board

This body was formed in 1996 at local government reorganisation by an Act of Parliament and is responsible for the maintenance of the electoral, council tax and non-domestic rates registers for Argyll and Bute, West Dunbartonshire and East Dunbartonshire Councils. The Board's running costs are met by the three Councils. During 2007/08 Argyll and Bute Council contributed £1.272m towards estimated running costs and accounted for £0.602m of Net Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Dunbartonshire and Argyll and Bute Valuation Joint Board, Council Offices, Garshake Road, Dumbarton G82 3PU.

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

	2007/08	2006/07
	£'m	£'m
Argyll and Bute Council has a 47.5% share of:		
Gross Income	2,718	2,598
Net Surplus (Deficit)	(0,137)	0,610
Fixed Assets	0,598	0,614
Current Assets	0,411	0,426
Liabilities due within one year	(0,392)	(0,404)
Liabilities due over one year	(0,014)	(0,027)
Retirement Benefit Asset	-	0,158
Capital and Revenue Reserves	0,602	0,767

8. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Income and Expenditure Account (page 13) for group accounting purposes. These can be summarised as follows:

- All intra-group transactions have been removed from the Group Accounts as part of the subsidiary consolidation process.
- The Common Good Funds described in note 26 of the Notes to the Core Financial Statements on page 34 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £1.491m.

9. GROUP CASH FLOW STATEMENT

The impact of the incorporation of the associates has no effect upon the Cash Flow statement for Argyll and Bute Council on pages 18 to 19. Only the Common Good transactions would have an impact. However, this impact is not material enough for a separate Group Cash Flow Statement to be prepared.