



ACCOUNTS FOR THE PERIOD

1 APRIL 2008 TO 31 MARCH 2009

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INTRODUCTION

The Annual Accounts demonstrate the Council's stewardship of the public funds it controls. The financial results for 2008-2009 are set out on pages 16 to 60. The Statement of Accounting Policies on pages 10 to 15 sets out the accounting policies adopted by the Council to ensure that the Accounts give a "true and fair view" of our financial performance.

THE FINANCIAL STATEMENTS

Core Financial Statements

The Statement of Accounting Policies sets out the basis upon which the Financial Statements have been prepared and explains the accounting treatment of both general and specific items. The Council continues to adopt the accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authorities (Scotland) Accounts Advisory Committee (LASAAC). The Annual Accounts for 2008/2009 have been prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP). The format of the Income and Expenditure Account reflects the requirements of the Best Value Accounting Code of Practice 2008 - Scotland (BVACOP).

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

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

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

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

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

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

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

Supplementary Financial Statements

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

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

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

The Group Accounts

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

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

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

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

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

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

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

Statement of Responsibilities for the Statement of Accounts

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

Statement on Internal Control

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

FINANCIAL PERFORMANCE

Income and Expenditure Account

The Council ended the year with an accounting surplus of £9.149m for 2008-09 compared to a surplus of £5.065m for 2007-08. This is the accounting surplus based on the SORP compliant accounts rather than the movement in the General Fund Balance.

Income from taxation and government grants totalled £254.916m for 2008-09 compared to £221.946m for 2007-08. An increase of £32.97m (12.9%). This includes revenue support grant up from £142.282m in 2007-08 to £174.047m in 2008-09, non domestic rates up from £33.171m in 2007-08 to £35.058m in 2008-09 and council tax down from £46.493m in 2007-08 to £45.811m in 2008-09. Much of the increase in revenue support grant arises from a change in how the Scottish Government makes payments to the Council and is not an increase in grant. From 2008-09 most funding that was previously paid as a specific grant is no longer ring fenced and is included in revenue support grant.

Net operating expenditure increased from £216.881m in 2007-08 to £245.767m in 2008-09. An increase of £28.886m (13.3%). A significant element of this increase relates to the change in payment of funds that were specific grants. As this income is now part of revenue support grant it is no longer accounted for as service income thereby increasing the net expenditure of services in the Income and Expenditure Account.

General Fund Balance

The balance on the General Fund at 31 March 2009 stands at £33.774m compared to £31.006m at 31 March 2008. An increase of £2.768m. The "free" General Fund Balance stands at £Xm at 31 March 2009. This equates to X% of the net revenue expenditure for 2009-10. There are a range of balances earmarked within the General Fund Balance. These total £Xm and are laid out in note 30.8.

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

	£m	£m
Balance on General Fund 31 March 2008		31.006
Less budgeted transfer to services 2008-09		9.002
		22.004
Add outturn for 2008-09		
Increase in council tax income	0.474	
Savings in loan charges	0.465	
Net overspend on departmental expenditure compared to budget	x.xxx	
		0.933
Surplus against budget 2008-09		
Council Tax collection on second homes	1.787	
Contribution to PPP smoothing funds	2.920	
Funds earmarked by departments from budgets	6.130	
		10.837
		33.774
Balance on General Fund 31 March 2009		

The net adjustment to the surplus per the Income and Expenditure to reflect the impact on council tax is a credit of £6.381m. In summary this credit represents the difference between:

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

The net surplus on the Income and Expenditure Account of £9.149m less the adjustments to reflect impact on Council Tax at £6.381m equates to the increase on the balance on the General Fund of £2.768m.

Statement of Total Recognised Gains and Losses

This analysis the decrease in the net worth of the Council from 31 March 2008 of £113.842m to £95.660m at 31 March 2009 based on the Balance Sheet. This is a decrease in the net worth of the Council in accounting terms and does not represent a decrease in the spending power of the Council. The reduction in net worth arises mainly from an actuarial loss on the pension plan of £35.084m offset by a gain on revaluation of fixed assets of £7.753m. These changes do not represent any change in the cash available to the Council.

Balance Sheet

As indicated above the accounting net worth of the Council has decreased by £18.182m from £113.842m at 31 March 2008 to £95.660m at 31 March 2009.

The value of fixed assets has increased from £333.828m at 31 March 2008 to £349.414m at 31 March 2009, an increase of £15.586m (4.7%). This comprises a net upward revaluation of fixed assets and capital expenditure less the value of fixed assets disposed of.

In terms of current assets and current liabilities the net of stock, debtors and creditors there was a decrease in current liabilities of £3.486m, decreasing from £15.140m at 31 March 2008 to £11.654m at 31 March 2009. The net cash, bank, short term borrowing and bank overdraft has moved from a net amount of cash invested by the Council of £38.849m at 31 March 2008 to a net cash deficit of £3.747m at 31 March 2009. This is a decrease of £42.596m. This reflects a pro-active decision to repay external borrowing and reduce cash investments thereby reducing the Council's exposure from external investments.

Overall long term liabilities have decreased from £245.352m at 31 March 2008 to £241.582m at 31 March 2009. The decrease of £3.770m masks some significant movements.

- Long term borrowing has decreased from £187.476m to £145.724m. This reflects the decision to repay external borrowing referred to above.
- The FRS17 valuation of the pension scheme liability increased from £0.598m to £32.517m.
- There were also government grants of £12.935m received in relation to fixed assets, and the provision of £4.897m to cover single status back pay was reversed as payments were made during the year.

Significant Trading Organisations

Councils are required to identify their Significant Trading Organisations. Significant Trading Organisations must achieve a breakeven financial position over a rolling three year period. Information on the financial performance of Significant Trading Organisations is given in the Accounts and this is laid out in note 2 of the Notes to the Core Financial Statements. During 2008-09 the Roads and Lighting trading account achieved a surplus of £0.537m. It achieved a rolling breakeven position with a three year surplus of £0.813m. The Catering & Cleaning trading account returned a surplus of £0.973m for the year but failed to achieve a breakeven position over the rolling three year period as a result of accumulated deficits in 2006-07 and 2007-08. The accumulated deficit going forward is £1.099m. Any surplus or deficit is treated as part of the General Fund.

Capital Expenditure and Borrowing

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

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

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

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

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

The external borrowing of the Council at 31 March 2009 amounted to £156.79m. The majority of this was financed by the Public Works Loan Board (£98.066m), with the remainder coming mainly from the money market. During the year the Council completed £38.629m of new external borrowing. This was used to finance capital expenditure incurred during the year. The Council also prematurely repaid loans of £69.884m.

The capital financing requirement at 31 March 2009 was £192.089m. This was financed as follows:

	£'m
Long Term Borrowing	145.724
Short Term Borrowing	11.061
General Fund Balance	33.774
Other Internal Funds	1.530
	192.089

PROPERTY VALUATIONS

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

PENSIONS LIABILITY

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

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

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

- Strathclyde Police Board
- Strathclyde Fire Board

Further information regarding these deficits can be found in Note 6 to the Group Accounts on pages 58 to 60.

STATEMENT ON INTERNAL CONTROL

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

FUTURE OUTLOOK

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

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

Bruce West
Head of Strategic Finance
17 June 2009

THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

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

THE HEAD OF STRATEGIC FINANCE'S RESPONSIBILITIES

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

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

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

The Head of Strategic Finance has also:

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

This statement of accounts presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

Bruce West
Head of Strategic Finance
17 June 2009

THIS PAGE IS INTENTIONALLY BLANK THE FULL STATEMENT OF INTERNAL CONTROL WILL BE AVAILABLE ON THE DAY OF THE COUNCIL MEETING.

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1. INTRODUCTION

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

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

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

2. MAJOR CHANGES IN ACCOUNTING PRACTICE

There were no major changes arising from the 2008 SORP.

3. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

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

4. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 – Scotland (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional democratic organisation; and
- Non Distributed costs – the cost of discretionary benefits awarded to employees retiring early.

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

5. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

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

6. RETIREMENT BENEFITS

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

6.1 Teachers

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

6.2 Local Government Pension Scheme

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

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

The assets of the Strathclyde Pension Fund attributable to the Council are included in the balance sheet at their fair value:

- Quoted securities – mid market value
- Unquoted securities – professional estimate
- Unitised securities – average of the bid and offer rates
- Property – market value

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

- Current service cost – the increase in liabilities as a result of years of service earned this year and allocated to the revenue accounts of services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to Net Operating Expenditure in the Income and Expenditure Account.

- Gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
- Contributions paid to the Strathclyde Pension Fund – cash paid as employer’s contributions to the pension fund.

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

6.3 Discretionary Benefits

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

7. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

8. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

8.1 Recognition

Expenditure on the acquisition, creation, or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

8.2 Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

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

Net current replacement cost is assessed as:

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

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

8.3 Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

8.4 Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate accounting arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

8.5 Depreciation

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

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

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

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

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

8.6 Grants and Contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the relevant assets in the relevant service revenue account, in line with the depreciation policy applied to them.

9. CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

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

- Amortisation of intangible fixed assets attributable to the service.

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

10. LEASES

10.1 Finance Leases

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

- A charge for the acquisition of the interest in the asset (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

10.2 Operating Leases

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

11. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying value of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of the restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

12. STOCK AND WORK IN PROGRESS

Stocks are included on the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

13. PROVISIONS

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account when the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required, the provision is reversed and credited back to the relevant service revenue account.

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

14. RESERVES

Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in the year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies above.

15. VALUE ADDED TAX (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

16. INTERESTS IN COMPANIES AND OTHER ENTITIES

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

17. PRIVATE FINANCE INITIATIVE (PFI)

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

17.1 Prepayments

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

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

17.2 Reversionary Interests

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

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

17.3 Residual Interests

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

17.4 PFI Credits

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

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

2007/08 Net Expenditure £'000	Service	Note	2008/09		
			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
88,422	Education Services		108,053	8,520	99,533
1,794	Housing Services (Non-HRA)		38,145	24,988	13,157
9,831	Cultural and Related Services		11,404	2,426	8,978
15,595	Environmental Services		22,195	4,393	17,802
16,810	Roads and Transport Services		20,112	1,434	18,678
1,676	Trading Services		5,962	4,921	1,041
4,048	Planning and Development Services		7,909	3,190	4,719
42,971	Social Work		56,738	9,410	47,328
	Central Services:				
4,780	- Corporate and Democratic Core		5,797	308	5,489
870	- Non Distributed Costs		734	11	723
2,373	- Central Services to the Public		3,206	1,385	1,821
1,272	- Other Operating Income and Expenditure	1	1,290	-	1,290
9,823	Strathclyde Police Joint Board		10,144	-	10,144
5,456	Strathclyde Fire and Rescue Joint Board		5,829	-	5,829
205,721	Net Cost of Services		297,518	60,986	236,532
5,291	Net (Gain)/loss on Disposal of Fixed Assets				1,429
-	(Surplus)/deficit on trading undertakings				(93)
11,249	Interest Payable and Similar charges				9,888
(1,535)	Interest and Investment Income				(1,415)
(3,845)	Pension Interest Cost and Expected Return on Pension Assets				(574)
216,881	Net Operating Expenditure				245,767
142,282	General Government Grants				174,047
33,171	Non-domestic Rates Redistribution				35,058
46,493	Council Tax Income				45,811
221,946	Total Income				254,916
5,065	Surplus for the Year				9,149

Statement of Movement on the General Fund Balance

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

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

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

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

2007/08 £'000		2008/09	
		£'000	£'000
5,065	Surplus for the Year on the Income and Expenditure Account		9,149
888	Net Additional amount required by statute or non-statutory proper practice to be (debited) or credited to the General Fund for the year <i>(See Supplement)</i>		(6,381)
5,953	Increase/(Decrease) in General Fund Balance for the Year		2,768
24,798	Closing General Fund Balance at 31 March	31,006	
(7,528)	Transition Adjustments to comply with SORP 2007	-	
7,528	Transfer from the Financial Instruments Adjustment Account	-	
30,751	Restated General Fund Balance at 1 April 2007		31,006
255	Transfer of HRA Balance	-	
31,006	Balance on General Fund Carried Forward		33,774

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

2007/08 £'000		2008/09	
		£'000	£'000
	<i>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</i>		
38	Amortisation of Intangible Fixed Assets	75	
18,559	Depreciation and Impairment of Fixed Assets	18,523	
(1,850)	Amortisation of Deferred Government Grants	(1,859)	
(398)	Capital Element of Finance Lease Payments	(356)	
(650)	Capital Element of Schools NPDO Payment	(1,615)	
5,291	Net Gain or Loss on Sale of Assets	1,429	
(414)	Expenditure Accounts and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt.	(364)	
(2,436)	Net Charges made for retirement benefits in accordance with FRS 17	(3,165)	
18,140			12,668
	<i>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</i>		
(17,793)	Loans fund principal repayments	(19,222)	
-	Capital expenditure charged in year to the General Fund Balance	(714)	
(17,793)			(19,936)
	<i>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</i>		
541	Transfer to/from Other Funds	887	
541			887
888	Net Additional amount required to be credited/(debited) to the General Fund Balance for the year		(6,381)

Statement of Total Recognised Gains and Losses

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

2007/08 £'000		2008/09 £'000
5,065	Surplus / (Deficit) on the Income and Expenditure Account	9,149
13,559	Surplus/ (Deficit) Arising on Revaluation of Fixed Assets	7,753
33,164	Actuarial (Loss)/Gain on Pension Assets and Liabilities	(35,084)
(7,528)	Any Other Gains and (Losses) required to be included	-
44,260	Total Recognised Gains for the Year	(18,182)

31 March 2008 £'000		Note	31 March 2009	
			£'000	£'000
	Fixed Assets			
194	<i>Intangible Assets</i>	13		308
	<i>Tangible Fixed Assets</i>			
	Operational Assets	14.1		
169,347	- Other Land and Buildings			173,719
6,206	- Vehicles, Plant, Furniture and Equipment			5,550
112,629	- Infrastructure Assets			132,244
1,964	- Community Assets			2,051
	Non-operational Assets	14.2		
6,682	- Investment Property			6,656
21,233	- Assets Under Construction			14,568
15,573	- Surplus Assets, held for Disposal			14,318
333,828	Total Fixed Assets			349,414
1,657	Long-Term Debtors	17		3,229
335,485	Total Long Term Assets			352,643
	Current Assets			
245	Stocks and Work in Progress		108	
20,295	Debtors	18	22,825	
5,000	Investments		10,000	
38,380	Cash and Bank		3,164	36,097
399,405	Total Assets			388,740
	Current Liabilities			
(559)	Borrowing Repayable on Demand or within 12 Months	20	(11,061)	
(35,680)	Creditors	19	(34,587)	
(3,972)	Bank Overdraft		(5,850)	(51,498)
359,194	Total Assets less Current Liabilities			337,242
(187,476)	Borrowing Repayable within a Period in Excess of 12 Months	20	(145,724)	
(49,485)	Government Grants - Deferred	21	(60,561)	
(5,971)	Provisions	22	(1,191)	
(1,822)	Deferred Liabilities	23	(1,589)	
(598)	Liability related to Defined Benefit Pension Schemes	28	(32,517)	(241,582)
113,842	Total Assets less Liabilities			95,660
	Financed by:			
13,559	Revaluation Reserve	30.1		21,312
72,050	Capital Adjustment Account	30.2		75,664
2,681	Useable Capital Receipts Reserve	30.3		2,762
1,356	Capital Fund	30.4		871
(598)	Pensions Reserve	30.5		(32,517)
(7,114)	Financial Instruments Adjustment Account	30.6		(6,750)
902	Repairs and Renewals Funds	30.7		544
31,006	General Fund Balance	30.8		33,774
113,842	Total Net Worth			95,660

Bruce West
Head of Strategic Finance
17 June 2009

2007/08 In/(Out) £'000		Note	2008/09 In/(Out) £'000
	REVENUE ACTIVITIES		
	<i>Cash outflows</i>		
126,550	Cash Paid to and on Behalf of Employees		136,580
106,688	Other Operating Cash Payments		123,137
17,857	Housing Benefit Paid Out		18,848
16,843	Precepts Paid		17,107
-	National Non-domestic Rate Payments to National Pool		2,112
267,938			297,784
	<i>Cash inflows</i>		
1,046	Rents (after rebates)		1,010
39,732	Council Tax Income		40,577
33,345	Non-domestic Rate Receipts		34,852
142,283	Revenue Support Grant		171,945
22,435	DWP Grants for Benefits		24,810
29,763	Other Government Grants	31	7,444
22,035	Cash Received for Goods and Services		22,090
1,213	National Non-domestic Rate Payments from National Pool		-
6,677	Other Operating Cash Receipts		10,428
298,529			313,156
30,591	Net Cash Inflow From Revenue Activities	32	15,372
	SERVICING OF FINANCE		
	<i>Cash outflows</i>		
10,598	Interest paid		11,182
20	Interest element of finance lease		108
10,618			11,290
	<i>Cash inflows</i>		
1,285	Interest received		2,866
1,285			2,866
(9,333)	Net Cash (Outflow) From Servicing of Finance		(8,424)
	CAPITAL ACTIVITIES		
	<i>Cash outflows</i>		
27,676	Purchase of Fixed Assets		20,393
-	Other Capital Cash Payments		-
27,676			20,393
	<i>Cash inflows</i>		
2,616	Sale of Fixed Assets		786
13,999	Capital Grants Received		12,157
43	Other Capital Cash Receipts		19
16,658			12,962
(11,018)	Cash (Outflow) From Capital		(7,431)
10,240	Net Cash Inflow / (Outflow) Before Financing		(483)
	MANAGEMENT OF LIQUID RESOURCES		
(5,000)	Net (Increase) / Decrease in Short Term Deposits		(5,000)

Continued from previous page.

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

1. OTHER OPERATING INCOME AND EXPENDITURE

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

2. SIGNIFICANT TRADING ORGANISATIONS

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

2.1 Roads and Lighting Trading Account

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

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

2.2 Catering and Cleaning Trading Account

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

Catering and Cleaning Trading Account	2006/07 Actual £'000	2007/08 Actual £'000	2008/09 Actual £'000	2008/09 3 year Cumulative £'000
Turnover	7,106	7,002	8,010	22,118
Expenditure	8,165	8,015	7,037	23,217
Net Deficit/Surplus	(1,059)	(1,013)	973	(1,099)

3. LOCAL GOVERNMENT ACT 1986 – SEPARATE PUBLICITY ACCOUNT

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

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

4. AGENCY INCOME

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

Agency Income	2008/09 Actual £'000	2007/08 Actual £'000
Scottish Water	239	229
Total	239	229

5. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

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

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

6. COMMUNITY CARE HEALTH (SCOTLAND) ACT 2002

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

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

7. MEMBERS' ALLOWANCES

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

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

8. OFFICERS' EMOLUMENTS

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

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

9. WASTE MANAGEMENT PUBLIC PRIVATE PARTNERSHIP

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

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

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

This equates to £5.880m per annum over the life of the contract.

10. SCHOOLS NON PROFIT DISTRIBUTING ORGANISATION

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

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

Future Repayment Periods	£'000
2009 - 2014	67,077
2014 - 2019	70,507
2019 - 2024	74,387
2024 - 2029	78,777
2029 - 2034	83,744
2034 - 2035	8,700
Total	383,192

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

11. FEES PAYABLE TO AUDIT SCOTLAND

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

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

12. RELATED PARTY TRANSACTIONS

During the year transactions with related parties arose as follows:

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

12. RELATED PARTY TRANSACTIONS CONT'D

Related Bodies:	Income £'000	Expenditure £'000
Transactions with related bodies during the year totalled	795	21,472
<i>Of these, transactions with the following exceeded £10,000:</i>		
Joint Boards		17,329
Strathclyde Partnership for Transport		715
Argyll, the Isles, Loch Lomond, Stirling and the Trossachs Tourist Board		205
Convention of Scottish Local Authorities (COSLA)		83
Cowal Council on Alcohol and Drugs		113
Dunoon and Cowal Youth Project		15
Helensburgh Addiction Rehabilitation Team		87
Islay and Jura Community Enterprise		98
Kintyre Alcohol and Drugs Advisory Service		24
Mid Argyll Community Enterprise		47
Criminal Justice Partnership	795	771
NHS		1,495
Oban Addiction Support and Information Services (OASIS)		44
Oban and Lorn Community Enterprise - Atlantis Leisure		400
Oban Youth and Community Association		15
Total	795	21,441

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

13. MOVEMENT IN INTANGIBLE FIXED ASSETS

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

14. FIXED ASSETS

14.1 Movement in Operational Fixed Assets

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

14.2 Movement in Non-Operational Fixed Assets

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Total 2008/09 £'000
Cost or Valuation				
At 1 April 2008	6,682	21,233	23,228	51,143
Additions	41	4,675	54	4,770
Disposals	(123)	(251)	(4,917)	(5,291)
Reclassifications	(44)	(11,089)	(10)	(11,143)
Revaluations	287	-	38	325
At 31 March 2009	6,843	14,568	18,393	39,804
Depreciation and Impairments				
At 1 April 2008	-	-	(7,655)	(7,655)
Charge for 2008/09	(233)	-	(587)	(820)
Disposals	-	-	4,159	4,159
Reclassifications	46	-	8	54
Revaluations	-	-	-	-
At 31 March 2009	(187)	-	(4,075)	(4,262)
Balance Sheet amount at 1 April 2009	6,656	14,568	14,318	35,542
Balance Sheet amount at 1 April 2008	6,682	21,233	15,573	43,488

14.3 Valuation of Operational Fixed Assets

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

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

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

14.4 Valuation of Non-Operational Fixed Assets

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

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

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Total 2008/09 £'000
Valued at Historical Cost		14,568		14,568
Valued at Current Value in:				
2008/2009	1,647		280	1,927
2007/2008	763		616	1,379
2006/2007	2,441		3,322	5,763
2005/2006	1,219		9,658	10,877
2004/2005	586		442	1,028
Total	6,656	14,568	14,318	35,542

14.5 Fixed Assets Information on Assets Held on 31 March 2009

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

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

15. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

	2008/09 £'000	2007/08 £'000
Opening Capital Financing Requirement	198,988	199,721
<i>Capital Investment:</i>		
Operational Assets - Expenditure	23,999	13,363
Operational Assets - Finance Leases	123	-
Non-Operational Assets	4,770	20,776
Intangible Assets	79	76
Deferred Charges - Long Term Debtor	4	-
Total Capital Investment	28,975	34,215
<i>Sources of Finance:</i>		
Capital Receipts	(865)	(2,688)
Government Grants	(12,935)	(13,999)
Capital Financed from Current Revenue	(714)	-
Repayment of External Loans	(19,222)	(17,793)
Capital Element of Finance Lease Payments	(356)	(398)
Capital Element of Schools NPDO Payments	(1,615)	(650)
Capital Receipts transferred to Capital Fund	860	1,356
Capital Receipts Used from Capital Fund	(713)	-
Other	(314)	(776)
Total Funding	(35,874)	(34,948)
Closing Capital Financing Requirement	192,089	198,988

16. FINANCE AND OPERATING LEASES

16.1 Finance Leases – Amounts Paid to Lessors

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

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

16.2 Operating Leases – Amounts Paid to Lessors

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

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

16.3 Assets Held Under Finance Leases

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

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

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

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

16.4 Assets Held Under Operating Leases

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

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

17. LONG TERM DEBTORS

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

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

18. DEBTORS

		31 March 2009		31 March 2008	
		£'000	£'000	£'000	£'000
Arrears of Local Taxation	Council Tax	12,285		13,375	
	Less: Provision for Bad Debts	(9,855)		(10,204)	
			2,430		3,171
	Community Charge	7,554		7,559	
	Less: Provision for Bad Debts	(7,554)		(7,559)	
			-		-
	Non-Domestic Rates	1,041		1,123	
	Less: Provision for Bad Debts	(629)		(683)	
			412		440
Housing Benefits Overpayments		787		701	
Less: Provision for Bad Debts		(454)		(414)	
			333		287
Debtor Accounts		4,713		4,713	
Less: Provision for Bad Debts		(958)		(670)	
			3,755		4,043
VAT Recoverable			2,638		2,480
Other Debtors			13,257		9,874
Total Debtors			22,825		20,295

19. CREDITORS

	31st March	31st March
	2009	2008
	£'000	£'000
Loans Fund Interest	1,536	1,727
Accrued Payrolls and Superannuation	5,973	5,593
Accrued Employer's National Insurance Contributions and PAYE	2,423	2,618
Payables Liability	7,468	9,653
Accrued Expenditure	4,436	4,781
Other Creditors	12,751	11,308
Total Creditors	34,587	35,680

20. FINANCIAL INSTRUMENTS DISCLOSURES

20.1 Types of Financial Instruments

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of "financial instruments":

	Long Term 31st March 2009 £'000	Current 31st March 2009 £'000	Long Term 31st March 2008 £'000	Current 31st March 2008 £'000
Investments and Lending				
Loans and Receivables	963	35,898	1,007	63,714
Available-for-sale financial assets	-	-	-	-
Borrowing				
Financial Liabilities at amortised cost	145,724	51,498	187,113	39,995
Financial Liabilities at fair value through profit and loss	-	-	-	-

20.2 Fair Value of Assets and Liabilities carried at Amortised Cost

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

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

The fair values are calculated as follows:

	31st March 2009		31st March 2008	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Lending				
Loans and Receivables	36,952	45	64,721	64,726
Borrowing				
Financial Liabilities	197,222	235,850	227,108	263,665

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

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

20.3 Gains and Losses on Financial Instruments

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

20.4 Nature and Extent of Risks arising from Financial Instruments

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

20.5 Credit Risk

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

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

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

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

20.6 Liquidity Risk

The Council main source of borrowing is the Treasury's Public Works Loans Board (PWLb). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowings does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 30% of the loans are due to mature within any financial year and 60% within a rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity analysis of financial liabilities is as follows:

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

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

20.7 Market Risk

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

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

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

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

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

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

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

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

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

	31st March 2009 £'000	31st March 2008 £'000
Other accounting presentational changes		
A decrease in the “fair value” of fixed rate lending (disclosed in the STRGL)	-	-
A decrease in the “fair value” of fixed rate borrowing (disclosure confined to notes to the core financial statements)	16,230	31,332

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

20.8 Price Risk

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

20.9 Foreign Exchange Risk

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

20.10 Short-Term Deposits

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

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

20.11 Short-Term Borrowing

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

	31st March 2009 £'000	31st March 2008 £'000
Common Good	241	239
Trust Funds	959	908

21. DEFERRED GOVERNMENT GRANTS

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the relevant assets.

	Applied £'000	Unapplied £'000	Total £'000
Balance at 1 April 2008	(39,087)	(10,398)	(49,485)
Adjustment to Opening Analysis	(2,748)	2,748	-
Revised Opening Balance at 1 April 2008	(41,835)	(7,650)	(49,485)
Grants Received During the Year to Finance Capital Projects	(11,009)	(1,926)	(12,935)
Transfer to Applied Government Grants	(6,264)	6,264	-
Credit to Revenue Account During the Year	1,859	-	1,859
Balance at 31 March 2009	(57,249)	(3,312)	(60,561)

22. PROVISIONS

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

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

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

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

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

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

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

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

	Opening Balance £'000	Movement in Year £'000	Closing Balance £'000
SRC Insurance Claims	(60)	-	(60)
Equal Pay Claims	(168)	-	(168)
Single Status Provision	(4,897)	4,897	-
Income due to Registered Social Landlords (Additional Council Tax on Second Homes)	(64)	2	(62)
Reorganisation Redundancy Costs	(201)	(119)	(320)
Operational Services - various provisions	(581)	-	(581)
Total Provisions	(5,971)	4,780	(1,191)

23. DEFERRED LIABILITIES

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

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

24. CONTINGENT GAINS AND LIABILITIES

The Council has a number of applications for equal pay at various stages of completion at Industrial Tribunals. The final outcomes of these applications are unknown at this time, although there is the possibility that the Council may lose at least some of these cases. There is also the potential for other equal pay claims whose costs may be met by the Council. No financial provision has been made in the 2008/09 Accounts given the uncertainties that surround both the final outcomes and the settlement levels.

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

25. COMMITMENTS UNDER CAPITAL CONTRACTS

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

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

26. TRUST FUNDS AND OTHER THIRD PARTY FUNDS

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

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

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

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

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

27. COMMON GOOD FUNDS

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

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

	Actual £'000
Expenditure	107
Income	(95)
Deficit for the Year	12

27.2 Common Good Balance Sheet at 31 March 2009

	Actual £'000
Tangible Fixed Assets	50
Investments	1,301
Current Assets	171
Current Liabilities	(14)
Total Assets less Liabilities	1,508
Revaluation Reserve	38
Common Good Fund	1,470
Total Net Worth	1,508

28. PENSIONS ASSETS AND LIABILITIES – FRS17 DISCLOSURE

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

28.1 Accrued Pensions Contribution

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

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

28.2 Transactions in Respect of the Local Government Pensions Scheme

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

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

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

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

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

28.3 Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of defined benefit obligation:

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

Reconciliation of fair value of the scheme assets:

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

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

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

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

28.4 Scheme History

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

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

28.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

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

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

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

28.6 History of Experience Gains and Losses

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

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

29. TEACHERS PENSIONS – ADMINISTERED BY SCOTTISH PUBLIC PENSIONS AGENCY

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

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

30. DETAILS OF MOVEMENTS ON RESERVES

30.1 Revaluation Reserve

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

Revaluation Reserve	£'000
Balance at 1 April 2008	13,559
Revaluations of Fixed Assets	7,753
Balance at 31 March 2009	21,312

30.2 Capital Adjustment Account

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

Capital Adjustment Account	£'000	£'000
Balance at 1 April 2008		72,050
Appropriations: Amortisation of Intangible Fixed Assets	(75)	
Depreciation and Impairment of Fixed Assets	(18,523)	
Amortisation of Deferred Government Grants	1,859	
Capital Element of Finance Lease Payments	356	
Capital Element of Schools NPDO Payment	1,615	
Write off of Net Book Value on Disposal of Fixed Assets	(2,289)	
Capital Financed from Current Revenue	714	
Loans fund principal repayments	19,222	
		2,879
Transfer from Capital Fund		713
Transfer from Useable Capital Receipts Reserve		22
Balance at 31 March 2009		75,664

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

30.3 Useable Capital Receipts Reserve

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

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

30.4 Capital Fund

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

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

30.5 Pensions Reserve

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

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

30.6 Financial Instruments Adjustment Account

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

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

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

30.7 Repairs and Renewals Funds

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

30.8 General Fund Balance

THIS NOTE IS INTENTIONALLY MISSING; THE NOTE GIVING DETAILS OF THE EARMARKED AND “FREE” GENERAL FUND BALANCE WILL BE AVAILABLE ON THE DAY OF THE COUNCIL MEETING.

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

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

32. NET CASH FLOW RECONCILIATION

	2008/09 £'000	2007/08 £'000
Surplus / (Deficit) for Year	9,149	5,065
Adjustments Not Involving Movement in Funds	14,645	23,094
(Increase) / Decrease in Stocks	137	8
(Increase) / Decrease in Debtors	(1,678)	(3,693)
Increase / (Decrease) in Creditors	(6,881)	6,117
Revenue Activities Net Cash Flow	15,372	30,591

33. ANALYSIS OF NET DEBT

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

34. RECONCILIATION OF MOVEMENT IN CASH TO NET DEBT

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

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

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

1. CALCULATION OF THE COUNCIL TAX

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

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

2. CALCULATION OF THE COUNCIL TAX BASE 2008/09

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

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

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

1. ANALYSIS OF RATEABLE VALUES

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

2. NON-DOMESTIC RATE CHARGE

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

3. CALCULATION OF RATE CHARGE FOR EACH PROPERTY

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

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