

2007/08	Actual Net Expenditure £'000	Service	2008/09		
			Actual Gross	Actual Gross Expenditure	Actual Net
			£'000	£'000	£'000
88,422		Education Services	108,053	8,520	99,533
15,595		Environmental Services	22,195	4,393	17,802
9,831		Cultural and Related Services	11,404	2,426	8,978
4,048		Planning and Development Services	7,909	3,190	4,719
42,971		Social Work Services	56,738	9,410	47,328
1,794		Housing Services (Non-HRA)	38,145	24,988	13,157
16,810		Roads and Transport Services	20,112	1,434	18,678
1,676		Trading Services	5,962	4,921	1,041
		Central Services			
2,491		- Central Services to the Public	3,309	1,385	1,924
4,780		- Corporate and Democratic Core	5,797	308	5,489
870		- Non-distributed Costs	734	11	723
1,272		- Other Operating Income and Expenditure	1,290		1,290
9,823		Strathclyde Police Joint Board	10,144		10,144
5,456		Strathclyde Fire Joint Board	5,829		5,829
<b>205,839</b>		<b>Net Cost of General Fund</b>	<b>297,621</b>	<b>60,986</b>	<b>236,635</b>
1,903		Share of Operating Results of Associates			(1,550)
<b>207,742</b>		<b>Net Cost of Services</b>	<b>595,242</b>	<b>121,972</b>	<b>235,085</b>
5,291		Net (Gain)/Loss on Disposal of Fixed Assets			1,429
-		(Surplus)/deficit on trading undertakings			(93)
40		Share of Associates (Gain)/Loss on Disposal of Fixed Assets			13
11,243		External Interest Payable			9,883
351		Share of Interest Payable by Associate			367
(1,615)		Interest and Investment Income			(1,507)
(342)		Share of Associate Interest and Investment Income			(271)
(3,845)		Pensions interest costs and expected return on pension assets			(574)
9,092		Share of Associate Pensions interest costs and expected return on pension assets			10,316
<b>227,957</b>		<b>Net Operating Expenditure</b>			<b>254,648</b>
142,282		General Government Grants			174,047
46,493		Income from Council Tax			35,058
33,171		Distribution from Non-domestic rate pool			45,811
<b>(6,011)</b>		<b>Deficit for Year</b>			<b>268</b>

## Reconciliation of the Single Entity Surplus to the Group Deficit

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

2007/08 £'000		2008/09 £'000
5,065	Surplus / (Deficit) on Income and Expenditure Account for the Year	9,149
	Add:	
(11,044)	(Deficit) attributable to Associates	(8,875)
(32)	Surplus / (Deficit) attributable to Common Good Funds	(6)
<b>(6,011)</b>	<b>Group Account Deficit for the Year</b>	<b>268</b>

## Group Statement of Total Recognised Gains and Losses

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

2007/08 £'000		2008/09 £'000
(6,011)	Group Account Deficit for the Year	268
15,248	Surplus / (Deficit) on Revaluation of Fixed Assets	9,155
65,196	Actuarial Gains on Pension Fund Assets and Liabilities	(30,438)
(7,477)	Other Gains or (Losses) to be Included in the STRGL	(986)
<b>66,956</b>	<b>Total Recognised Gains and (Losses)</b>	<b>(22,001)</b>

2007/08 £'000		2008/09	
			£'000
	<b>Fixed Assets</b>		
193	<i>Intangible Fixed Assets</i>		308
	<i>Tangible Fixed Assets</i>		
	Operational Assets		
169,347	- Other Land and Buildings		173,719
6,206	- Vehicles, Plant and Equipment		5,550
112,629	- Infrastructure Assets		132,244
2,014	- Community Assets		2,101
	Non-operational Assets		
6,682	- Investment Property		6,656
21,233	- Assets Under Construction		14,568
15,573	- Surplus Assets held for Disposal		14,318
<b>333,877</b>	<b>Total Fixed Assets</b>		<b>349,464</b>
1,740	Other Long Term Investments		1,261
1,657	Long Term Debtors		3,229
<b>337,274</b>	<b>Total Long Term Assets</b>		<b>353,954</b>
	<b>Current Assets</b>		
245	Stock and Work in Progress	108	
20,327	Debtors	22,852	
5,000	Investments	10,000	
38,410	Cash and Bank	3,202	36,162
<b>401,256</b>	<b>Total Assets</b>		<b>390,116</b>
	<b>Current Liabilities</b>		
(504)	Short Term Borrowing	(10,916)	
(35,577)	Creditors	(34,588)	
(3,976)	Bank Overdraft	(5,863)	(51,367)
<b>361,199</b>	<b>Total Assets less Current Liabilities</b>		<b>338,749</b>
(187,476)	Long Term Borrowing	(145,724)	
(1,822)	Deferred Liability - Finance Leases	(1,589)	
(49,485)	Government Grants - Deferred	(60,561)	
(5,971)	Provisions	(1,191)	
(140,078)	Investment in Associate	(143,399)	
(598)	Liability Related to Defined Benefit Pension Scheme	(32,517)	(384,981)
<b>(24,231)</b>	<b>Total Assets less Liabilities</b>		<b>(46,232)</b>
	<b>Financed by:</b>		
14,070	Revaluation Reserve		21,349
72,050	Capital Adjustment Account		75,664
2,681	Useable Capital Receipts Reserve		2,762
1,356	Capital Fund		871
(598)	Pensions Reserve		(32,517)
(7,114)	Financial Instruments Adjustment Account		(6,750)
31,006	General Fund Balance		33,774
(140,078)	Group Reserves		(143,399)
1,494	Common Good Reserves		1,470
902	Repairs and Renewals Funds		544
<b>(24,231)</b>	<b>Total Net Worth</b>		<b>(46,232)</b>

## 1. INTRODUCTION

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

## 2. GROUP ACCOUNTING POLICIES

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

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

## 3. COMBINING ENTITIES

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

The Associates which have been incorporated are:

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

The accounting period for all entities is 31 March 2009.

## 4. NON MATERIAL INTEREST IN OTHER ENTITIES

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

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

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

## 5. NATURE OF COMBINATION

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

## 6. FINANCIAL IMPACT OF CONSOLIDATION

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

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

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

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

## 7. FURTHER DETAILS ON CONSOLIDATION

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

### Strathclyde Police Joint Board

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

### Strathclyde Fire and Rescue Joint Board

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

### Strathclyde Partnership for Transport

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

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

### Strathclyde Concessionary Travel Scheme Joint Board

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

### Dunbartonshire and Argyll and Bute Valuation Joint Board

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

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

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

## 8. REPORTING AUTHORITY ADJUSTMENTS

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

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

## 9. GROUP CASH FLOW STATEMENT

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