Dumfries and Galloway Council







Annual Accounts 2008/2009



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Explanatory Foreword by Director of Support Services

Introduction

The purpose of these Accounts is to provide clear information about the Council's financial position and this Explanatory Foreword is intended to give the reader an easily understandable guide to the most significant matters reported in the Accounts.

The Financial Statements following this foreword fully comply with the *Code of Practice on Local Authority Accounting in the United Kingdom* and present the Council's summarised financial position for the year ended 31 March 2009.

The Council's Financial Position

The Income and Expenditure Account (page 9) summarises the net cost of the Council's functions for the year and demonstrates how these costs have been funded through Central Government grants and income from local taxpayers. This statement indicates a net deficit for the year of £22.216 Million but it is important to note that this position reflects the impact of capital accounting and pensions accounting entries and does not in itself reflect the Council's financial performance for the year. To do this it is necessary to link the Income and Expenditure Account to the Statement of Movement on the General Fund Balance which shows that, rather than returning a deficit, Council balances were actually increased by £6.870 Million during 2008/09 to a year end total of £46.477 Million. It is also important to note that the Council's expenditure for the year included an exceptional charge of £1.503 Million in respect of compensation payments due to groups of workers under the terms of the Equal Pay Act 1970 (As Amended). This figure is in addition to the amounts totalling £11.282 Million which have been recognised in the accounts between 2005/06 and 2007/08 in respect of the Council's Equal Pay liabilities.

The year end General Fund Balances total of £46.477 Million referred to above includes amounts which require to be carried forward to address commitments on specific projects (such as the Waste Management/ Recycling PFI contract and the Smarter Schools PPP project) and, in order to assess the Council's underlying financial performance it is necessary to identify the movement on Unallocated General Fund Balances. At the start of financial year 2008/09 it was anticipated that £4.496 Million of brought forward unallocated balances, which at that time totalled £8.926 Million, would be required to 'balance the books'. However, balances actually increased by £0.857 Million during the course of the year resulting in year end Unallocated General Fund Balances of £9.783 Million as at 31 March 2009. The delay in the implementation of Single Status was the main contributor to this revised position. The Council's existing budget strategy (based on the budget agreed in February 2009) requires a contribution from balances of £2.435 Million in 2009/10 which would see balances fall to £7.348 Million at the end of that year.

The allocated elements of the General Fund Balances total include the following amounts:

- £15.194 Million is being held in a Sinking Fund to be used on the Smarter Schools PPP project,
- Strategic Waste Funding of £8.986 Million which is being held in a Sinking Fund to be used to meet future payments on the Waste Management/ Recycling PFI contract,
- a total of £1.479 Million has been allocated to help address regeneration and housing related issues,
- £1.076 Million of specific funding allocated by the Scottish Government to address a range of issues,
- £2.384 Million to fund affordable housing projects,
- a range of amounts committed to partnership projects for which external funding has already been secured.

The main source of funding for the Council is through Central Government grants and a total of £281.100 Million was received in 2008/09 through the Revenue Support Grant and through distributions from the National Non-Domestic Rates pool. In addition, the net Council Tax yield for the year was £61.083 Million.

The economic climate has changed considerably over the past year and this has impacted on the Council in terms of increasing service requests (e.g. homelessness services) and reduced income (e.g. planning fees). The Council has recently agreed an Economic Action Plan with a range of measures supporting the local economy through, amongst other things, increased investment in the capital programme and enhanced advice and support to local businesses and families. The impact of the current climate will continue to be closely monitored by the Council over the coming year.

The Balance Sheet and the Impact of FRS17 (Accounting for Pensions)

The Council's Balance Sheet (page 12) summarises the assets and liabilities of the Council. The introduction of Financial Reporting Standard 17 (Accounting for Pensions) has had a significant impact on local authority accounting. Under these accounting arrangements the Council is required to show the actuarially assessed net pensions deficit/ liability within the Balance Sheet. As at the end of financial year 2008/09 the combined deficit on the Local Government Pensions Scheme (LGPS) and the Police and Firefighters Schemes was assessed as being £325.482 Million.

However, it should be noted that the pensions deficit figure has been produced specifically for the purpose of meeting FRS17 accounting requirements and that £223.469 Million of the deficit relates specifically to the 'unfunded' Police and Firefighters Schemes. The cost of providing pensions for employees is still funded in accordance with the relevant statutory requirements and the actuarial valuations will continue to set appropriate employers contribution rates which, together with revenues generated from investments (for the LGPS), will be used to meet pensions commitments.

Dumfries and Galloway Council is the administering authority for the Dumfries and Galloway Pension Fund. The Accounts of the Pension Fund are reflected from page 41.

Going Concern

Although there has been an increase in the actuarially assessed pension liability for 2008/09, the Council's Balance Sheet continues to reflect a net asset at the end of 2008/09.

Trading Operations

The Council operates three significant Trading Operations. Two of these operations (Catering & Cleaning and Cleansing & Grounds Maintenance) have again failed to meet the statutory target of at least breaking even over three years.

The trading results of the Catering & Cleaning trading operation have been significantly affected by the exceptional impact of back-dated equal pay compensation costs.

A review of the Cleansing & Grounds Maintenance trading operation has led to a range of measures that have contributed to a surplus on the Grounds Maintenance Unit and a reduction in the deficit associated with Cleansing activities in 2008/09. Further measures have been agreed as part of the Council's Waste Management Strategy to ensure that continuing deficits on cleansing activities are addressed over the upcoming period.

Following the loss of its main external customer at the end of 2007/08, the Property Maintenance trading operation was significantly downsized during 2008/09. As a result of the changes within the service the operation no longer fell within the Council's criteria for determining statutory trading operations.

Capital Programme and Borrowing Facilities

Note 13 to the Core Financial Statements (page 19) provides summary information on capital expenditure of £37.716 Million incurred by the Council in 2008/09. Of this expenditure, £14.451 Million was funded through capital receipts from the sale of assets, grants and other contributions leaving £23.265 Million to be funded through borrowing, of which £10.247 Million related to investment in the 2A Schools Programme.

The Council's capital plans are now determined on a Prudential basis with the level of expenditure based on an assessment of the level of investment that is considered to be prudent, affordable and sustainable.

When the Council borrows money to fund capital expenditure the principal lending source is the Public Works Loans Board (PWLB), although UK Banks and other financial institutions can be used if required. During the year new loans of £10 Million were raised and loans to the value of £24 Million were repaid.

At the end of 2008/09 the Council had a total of £2.695 Million held in a Capital Fund, of which £1.261 Million had been allocated to support a combination of the Dumfries & Galloway Leisure Complex, the restoration of the Midsteeple and to support theatre provision in Dumfries & Galloway. Additionally, the Council holds £1.816 Million in a Renewal & Repairs Fund to contribute towards addressing the pressing need to repair, maintain, replace and renew the Council's fixed assets.

Acknowledgement

My thanks to Members and Colleagues for their assistance and support throughout the year in maintaining and promoting a sound financial management and control framework. I would also like to thank those staff whose efforts have contributed to the preparation of these accounts.

Gordon Lawson Director of Support Services 25 June 2009

Statement 1 – Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer in the year to 31 March 2009 was the Director of Finance.
- to manage its affairs, to secure economic, efficient and effective use of resources and safeguard its assets.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the authority's statement of accounts. The Council is required to provide a 'true and fair view' of the financial position of the Authority and its income and expenditure for the year ended 31 March 2009.

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

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

The Statement of Accounts provides a 'true and fair view' of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

Gordon Lawson Director of Support Services 25 June 2009

Statement 2 – Accounting Policies

General

The Annual Accounts 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) and *the Best Value Accounting Code of Practice* (BVACOP). They are designed to provide a 'true and fair view' of the financial performance and position of the Council and comparative figures for the previous financial year are provided.

The Accounts have been prepared in accordance with the fundamental accounting principles in terms of the qualitative characteristics required, the accounting concepts underlying the preparation of the Accounts and the materiality of the information involved. The qualitative characteristics of the financial information are that they are relevant, reliable, comparable and understandable. In compiling the Accounts three fundamental accounting concepts have been applied, these being accruals, going concern and primacy of legislation. Only material items have been included in the preparation of the Accounts and the related disclosure information.

The Accounts have been prepared on a historic cost basis, other than changes resulting from the revaluation of certain categories of fixed assets.

These accounting policies have been applied in line with the requirements of Financial Reporting Standard 18 'Accounting Policies'.

Accruals

In compliance with the SORP the Accounts have been prepared on an accruals basis for both revenue and capital accounts. Accruals have been made for all material debtors and creditors. Provision has been made for bad and doubtful debts.

Provisions

Provisions are made for liabilities of uncertain timing or amount that have been incurred. The value of provisions is based upon the Council's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation.

Reserves

The Council operates various reserves for specific purposes. The Revaluation Reserve and the Capital Adjustment Account are required by the SORP for capital accounting purposes. The Pensions Reserve was established in accordance with the accounting requirements of FRS17. These reserves do not represent usable resources for the Council. Further details of the movement on these reserves and other reserves and funds operated by the Council are provided in Notes to the Core Financial Statements.

Grants & Contributions

Grants have been credited to the appropriate revenue or capital accounts at the date the Council satisfies the conditions of entitlement to the grant. Where applicable, accruals have been made for outstanding grants due at 31 March 2009. Where capital grants and contributions have been received for the acquisition or construction of assets, these have been credited to the Government Grants Deferred Account and written off to revenue in line with the depreciation charged to revenue for the relevant assets.

Retirement Benefits

The Council operates a Pension Fund on behalf of administrative and manual workers, the operation of which is outlined in the Statement on the Pension Fund. The superannuation of teachers is dealt with on a national basis by the Scottish Public Pensions Agency. The pension schemes for police and firefighters are unfunded and costs are met directly from the appropriate service revenue account.

In line with the requirements of Financial Reporting Standard 17 (FRS 17), the Council recognises the cost of retirement benefits in the *Net Cost of Services* (within the Income & Expenditure Account) when they are earned by employees, rather than when benefits are eventually paid as pensions. This approach better reflects the Council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the Pension Fund.

This approach has had the following effect on the results of the current period:-

- the overall amount to be met from Government Grants and Local Taxation has remained unchanged but the
 costs disclosed for individual services are 1.58% lower after the replacement of employer's contributions
 with Current Service Costs, and Net Operating Expenditure is 3.6% higher than it would otherwise have
 been.
- the requirement to recognise the net pensions liability of £325.482 Million in the Balance Sheet has reduced the net worth of the Council from a net asset of £327.734 Million to a net asset of £2.252 Million.

Further information relating to the pension schemes operated by the Council are disclosed in the Notes to the Core Financial Statements.

VAT

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

Overheads and Support Services

The costs of Central Support departments, such as Financial Services, Legal Services and Human Resources, have been fully re-charged to service departments based on usage. In accordance with BVACOP the costs of Corporate and Democratic Core and Non Distributable Costs have been identified and reported separately within the Income and Expenditure Account.

Intangible Fixed Assets

Intangible fixed assets consist of purchased software which are capitalised at cost and written off to revenue over the appropriate estimated useful life on a straight line basis.

Tangible Fixed Assets

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis.

Measurement

Operational assets are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use. Non-operational assets are included in the Balance Sheet at the lower of net current replacement cost or net realisable value.

Revaluations

When an asset is included in the Balance Sheet at current value, it is formally revalued at least once every five years and the revised amount is then included in the Balance Sheet. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, which is the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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 disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Capital receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). 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 arrangements for capital financing.

Depreciation

Depreciation is provided on all fixed assets, other than land, investment properties and assets under construction, on a straight line basis over the expected life of the asset.

Charges to Revenue for Fixed Assets

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

· depreciation attributable to the assets used by the relevant service,

- 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 however it is required to make provision for the annual cost of the repayment of previous borrowing. Depreciation, impairment losses and amortisations are therefore replaced by loans fund principal repayments in the Statement of Movement on the General Fund Balance to recognise the difference between the two.

Operating Leases

Rentals payable under operating leases have been charged to revenue on a straight line basis over the term of the lease. Rental income received from operating leases is recognised on a straight line basis over the term of the lease.

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 amount of the liability multiplied by the effective rate of interest for the financial instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Income & Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses incurred as a result of the rescheduling of borrowing are charged to revenue. Regulations allow the spreading of the gain or loss over the period of the replacement loans. This was previously shown as Deferred Premiums in the Balance Sheet, however the reconciliation between the amounts charged to the Income and Expenditure Account and the amount required to be charged against the General Fund Balance is now managed via the Financial Instruments Adjustment Account.

Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the liability multiplied by the effective rate of interest for the financial instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Income & Expenditure Account is the amount receivable for the year in the loan agreement.

Stocks and Work in Progress

Stocks and work in progress have been valued at the lower of actual cost and net realisable value. Stock and work in progress quantities are either based on physical stock at the end of the year or on a perpetual inventory throughout the year.

Interests in Companies and Other Entities

Where the Council has a material interest in subsidiaries, associates or joint ventures the Council will prepare Group Accounts in compliance with the SORP. An interest is where the Council has either ownership of share capital or has rights to benefit from the capital of the entity. An interest also covers situations where the Council has the right to either benefit from surpluses or a liability to contribute to losses or an obligation to contribute to debts or expenses in the winding up of an entity. In assessing whether the interest is material or not an assessment will be made as to the influence and control which the Council exerts over the entity, not solely the financial interest or ownership.

Public Private Partnerships & Private Finance Initiatives

The accounting treatment for the Waste Management/ Recycling PFI contract and the Smarter Schools PPP contract are in accordance with Financial Reporting Standard 5 'Reporting the Substance of Transactions' and Treasury guidance.

Internal Interest

Interest is charged or paid to the General Fund Revenue Account on the basis of the average level of revenue balances in accordance with LASAAC Guidance Note 2. Interest is also credited to Trust Fund investments and a number of other internal funds. Interest is calculated on the average seven day borrowing rate in the London money markets.

Redemption of Debt

A Loans Fund is operated under the Local Government (Scotland) Act 1975 to finance the capital expenditure of the authority. Debt redemption is calculated on an annuity basis.

Valuation of Investments

Investments of the Pension Fund are based on bid price or market value where bid price is not available. Investments held on other accounts are shown at the lower of cost or market value.

Changes in Accounting Policy

Under the 2008 SORP the Council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value. The effect of this change is immaterial on the value of scheme assets at 31 March 2009, so no restatement has been carried out.

Statement 3 - Income and Expenditure Account

For the year ended 31 March 2009

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes 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		Gross Expenditure £000	2008/09 Income £000	Net Expenditure £000	Note
4,522	Central Services to the Public	7,851	3,595	4,256	
125,262	Education Services	160,403	21,645	138,758	
19,333	Environmental Services	22,490	1,800	20,690	
354	Housing Services	52,286	36,098	16,188	
18,266	Culture & Related Services	23,133	4,714	18,419	
4,665	Planning & Development Services	12,614	3,984	8,630	
22,061	Roads & Transport Services	33,402	10,815	22,587	
71,413	Social Work	98,643	24,287	74,356	
17,263	Police	40,963	24,386	16,577	
9,436	Fire	10,486	742	9,744	
5,067	Corporate & Democratic Core	4,878	0	4,878	
4,012	Non Distributed Costs	3,509	0	3,509	
1,228	· · · · · · · · · · -	1,503	0	1,503	2
302,882	Net Cost of Services	472,161	132,066	340,095	
(949) 189	(Gain)/ loss on disposal of Fixed Assets			(508)	4
9,813	(Surplus)/ deficit on Trading Undertaking	js		6 8,852	4
(1,973)	Interest payable & similar charges Interest & investment income			(2,079)	
12,049	Pensions interest cost & expected return	on nensions as	reate	18,033	
322,011	Net Operating Expenditure	i on pensions as	55615	364,399	
322,011	Net Operating Expenditure			304,399	
(60,279)	Council Tax			(61,083)	
(190,390)	Revenue Support Grant			(224,317)	
(54,148)	Non Domestic Rates redistribution			(56,783)	
17,194	Deficit for year		-	22,216	

While this statement shows the Council's financial performance for the year, the deficit shown does not mean that immediate action is needed to cut expenditure or to raise Council Tax. The amount that the Council is required to raise through Council Tax is assessed on a different accounting basis with 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.

A reconciliation between the Income & Expenditure Account and the movement on the General Fund Balance is provided in the following statement.

Statement 4 – Statement of Movement on General Fund Balance

For the year ended 31 March 2009

This reconciliation statement shows how the outturn on the Income & Expenditure Account links with the statutory requirements for raising Council Tax.

2007/08 £000		2008/09 £000	Note
17,194	(Surplus)/ deficit for year on the Income & Expenditure Account	22,216	
(27,444)	Net additional amount required by statute & non statutory proper practices to be debited or credited to the General Fund Balance for the year	(29,086)	See below
(10,250)	(Increase)/ decrease in General Fund Balance for year	(6,870)	
(29,357)	General Fund Balance brought forward	(39,607)	
(39,607)	General Fund Balance carried forward	(46,477)	

There are certain items which must be included or excluded in the Statement of Movement on General Fund Balances and these are detailed below.

2007/08 £000			2008/09 £000
	Amounts to be included in the Income &		
	Expenditure Account but require to be excluded		
	when determining the Movement on the General		
(400)	Fund Revenue Balance for the year	(400)	
(106)	Amortisation of intangible fixed assets	(183)	
(25,350)	Depreciation & impairment of fixed assets	(27,033)	
6,011	Government Grants Deferred amortisation	3,088	
977 0	Net gain/ (loss) on sale of fixed assets Differences between amounts debited/credited to	508	
U		112	
	the I&E Account and amounts payable/receivable to be recognised under statutory provisions relating to		
	premiums and discounts on the early repayment of		
	debt		
(37,812)	Net charges made for retirement benefits in	(37,353)	
(=0.000)	accordance with FRS17		(00.004)
(56,280)	Assessment and Constructed Profits the Language O		(60,861)
	Amounts not included in the Income &		
	Expenditure Account but require to be included		
	by statute when determining the Movement on		
9,613	the General Fund Balance for the year	10.202	
9,613	Loans fund principal repayments Capital expenditure charged in year to the General	10,202 105	
94	Fund Balance	105	
22,022	Employers contribution payable to the Pension Fund	23,058	
31,729			33,365
	Transfers to and from the General Fund Balance		
	that are required to be taken into account when		
	determining the Movement on the General Fund		
(0.000)	Balance for the year		(4.500)
(2,893)	Transfers to/ (from) specific Reserves		(1,590)
(27,444)	Net additional amount required to be credited to		(29,086)
	the General Fund Balance for the year		

Statement 5 – Statement of Total Recognised Gains and Losses

For the year ended 31 March 2009

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 or deficit from the Income & 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	Note
	17,194	(Surplus)/ deficit on the Income & Expenditure Account	22,216	
	(50,942)	(Surplus)/ deficit arising from the revaluation of Fixed Assets	(49,408)	
	(87,320)	Actuarial (gains)/ losses on Pension Fund assets & liabilities	45,731	
	(296)	Any other recognised (gains)/ losses required to be included	327	12
_	(121,364)	Total recognised (gains)/ losses for the year	18,866	
	1,941	Cumulative effect on reserves of prior period adjustments	0	

Statement 6 - Balance Sheet as at 31 March 2009

Statemen	t 6 - Balance Sneet as at 31 March 2009				
2007/08			2008/09	Note	
£000		£000	£000		
600	Intensible Assets		740	20	
690	Intangible Assets		740	20	
	Fixed Assets				
	Operational Assets				
71	Council Dwellings	67			
377,536	Other Land & Buildings	428,106			
10,052	Vehicles & Plant	12,545			
60,822	Infrastructure	66,584			
278		1,190	- <u>-</u>		
448,759	Total Operational Assets		508,492	13	
	Non Operational Assets				
3,703	Investment Properties	3,953			
18,488	Assets Under Construction	19,053			
2,463	Land Awaiting Development	686			
4,368	Surplus Assets	4,389			
29,022	Total Non Operational Assets		28,081	13	
478,471	Total Fixed Assets		537,313		
766	Long Term Debtors		648		
479,237	Total Long Term Assets		537,961		
,_0,	10ta: 20tig 10tili /1000to		001,001		
	Current Assets				
959	Stock	991			
39,766	Debtors	40,336		28	
(14,836)	Less Bad Debt Provision	(15,209)			
38,151	Investments	30,128			
12,699	Cash & Bank	12,415	-		
76,739	Table 1		68,661		
555,976	Total Assets		606,622		
	Less Current Liabilities				
(933)	Temporary Loans	(10,599)			
(1,841)	Accrued Interest	(1,676)			
(1,011)	Temporary Deposits	(1,010)			
(455)	Trust Funds	(438)			
(1,776)	Common Good	(1,754)			
(3)	South West of Scotland Transport Partnership	(128)			
(2,168)	Pension Fund	(4,820)			
(54,451)	Sundry Creditors	(59,686)	_	29	
(61,627)			(79,101)		The unaudited
404.040	Total Appata lana Commant Linkillida		507.504		accounts were issued
494,349	Total Assets less Current Liabilities		527,521		on 25 June 2009, and
(161,893)	Long Term Borrowing		(142,847)		the audited accounts
(8,219)	Provisions		(8,250)	2	were authorised for
(37,663)	Government Grants Deferred		(48,690)	_	issue on 22
(265,456)	Defined Pension Liability		(325,482)	30	September 2009.
21,118	Total Assets Less Liabilities		2,252		Ocptember 2005.
	F 1 B				
170 220	Financed By:		16F 700	24	
178,230	Capital Adjustment Account		165,728	24 24	Oandan I sees ee
(1,940) 47,741	Financial Instruments Adjustment Account Revaluation Reserve		(1,828) 95,101	24 24	Gordon Lawson
14,748	Capital Receipts Reserve		15,300	24	Director of Support
(265,456)	Pensions Reserve		(325,482)	24	Services
3,671	Capital Fund		2,695	24	
1,842	Renewal & Repairs Fund		1,816	24	
2,675	Insurance Fund		2,445	24	
39,607	General Fund		46,477	24	
21,118			2,252		

Statement 7 – Cash Flow Statement

For the year ended 31 March 2009

2007/08 £000		£000	2008/09 £000	Note
	Revenue Activities			
256,034	Cash outflows Cash paid to and on behalf of employees	260,760		
186,247	Other operating cash payment	195,658		
38,408	Housing Benefit paid out	32,092		
36,092	National Non Domestic Rates paid to National Pool	35,194		
	Cash inflows			
(5,989)	Rents	(5,008)		
(59,861)	Council Tax receipts National Non Domestic Rates receipts from National Pool	(60,604)		
(55,390) (36,092)	Non Domestic Rates receipts	(56,021) (35,194)		
(190,390)	Revenue Support Grant	(224,317)		
(37,911)	DWP subsidy for benefits	(39,874)		
(49,716)	Other Government grants	(41,496)		40
(115,688)	Cash received for goods and services	(86,703)		
(433)	Other operating cash receipts	(3,397)	(00.040)	
(34,689)	Net Cash (inflow)/ outflow from Revenue Activities		(28,910)	
	Servicing of Finance			
	Cash outflows			
13,876	Net interest paid Loans Fund	11,696		
85	Expenses	73		
(0.540)	Cash inflows	(0.740)		
(2,516) 11,445	Interest received Net Cash (inflow)/ outflow from Servicing of Finance	(2,719)	9,050	
11,443	Net dash (milow), dutilow from der vicing of Finance		3,030	
	Capital Activities			
	Cash outflows			
29,872	Acquisition of fixed assets	37,773		
(3,296)	Cash inflows Sale of fixed assets	(1,485)		
(14,990)	Capital grants received	(14,656)		
(13)	Other capital cash receipts	(133)		
11,573	Net Cash (inflow)/ outflow from Capital Activities		21,499	
	M			
3,877	Management of Liquid Resources Net increase/ (decrease) in short term deposits		(8,140)	
3,077	Net increase/ (decrease) in short term deposits		(0,140)	
(7,794)	Net Cash (inflow)/ outflow before Financing	-	(6,501)	
	Financing			
37,827	Cash outflows Repayments of amounts borrowed (loans repaid)	64,784		
31,021	Cash inflows	04,704		
(8,695)	New loans raised	(12,775)		
(26,643)	New short term loans	(45,224)		
2,489	Net (increase)/ decrease in loans		6,785	
/F 20E)	Not Cook (inflam)/ outflow ofter Financing	-	204	
(5,305)	Net Cash (inflow)/ outflow after Financing	-	284	
	Net (increase)/ decrease in cash			
(5,304)	Movement in bank	343		
(1)	Movement in cash	(59)		
(5,305)		_	284	

Notes to the Core Financial Statements

1. Statutory Changes to the Format of the Accounts

Under the 2008 SORP the Council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value. The effect of this change is immaterial on the value of scheme assets at 31 March 2009, so no restatement has been carried out.

2. Exceptional Items

Equal Pay

During 2008/09 a charge of £1.5 Million was made to the Income and Expenditure Account in respect of the need to increase the provision for Equal Pay to reflect further potential compensation payments due to groups of workers under the Equal Pay Act 1970 (As Amended). The provision was therefore increased from £6.750 Million to £8.250 Million at the end of 2008/09.

3. PFI/ PPP Contracts

Waste Management/Recycling PFI Contract

In November 2004 the Council signed a Waste Management/Recycling PFI contract with Shanks Group plc. Contract payments are related to the tonnage of material being delivered for treatment and/or disposal which will depend on the amount of Municipal Solid Waste that the Council has to dispose of. The Council is committed to paying the following amounts (assuming an inflation rate of 2.5% per annum):

Future Payment Period	£000
2004 - 2010	40,564
2010 - 2015	51,022
2015 - 2020	61,733
2020 - 2025	72,451
2025 - 2030	78,295
Total amount payable	304,065

Smarter Schools PPP Contract

In January 2008 the Council signed a Smarter Schools PPP contract with E4D&G, a project company formed by Amey Ventures Investments Limited and Cyril Sweett (Holdings) Limited. The project company will build and operate ten new schools in Dumfries & Galloway. The Council is committed to paying the following amounts (assuming an inflation rate of 2.5% per annum):

Future Payment Period	£000
2009 - 2015	69,983
2015 - 2020	72,341
2020 - 2025	77,142
2025 - 2030	82,575
2030 - 2035	88,721
2035 - 2040	83,275
Total amount payable	474,037

4. Trading Operations

The Council has established trading units where service managers are required to operate in a commercial environment and to balance their costs by generating income from other parts of the Council or other organisations. The relevant policy objective of the Council is to provide quality, best value services to the people of Dumfries & Galloway in the provision of the services delivered by each of these trading units. The main

financial risk to the Council through the operation of its trading units is the risk that the turnover generated by each unit from internal and external customers is insufficient to meet the expenditure incurred. Details of the Statutory Trading Operations, which are those units with a turnover of greater than £5 Million or external contract work in excess of £100k in 2008/09, are as follows:-

Catering & Cleaning Service

This trading unit provides catering services within schools and cleaning services within all of the Council's properties.

	£000
Turnover	(9,299)
Expenditure	9,938
Deficit	639
Deficit 2007/08	639

Cleansing & Grounds Maintenance Service

The services of this trading unit include the collection of household waste, refuse collection services to traders and commercial services, and street cleansing services. The unit also maintains parks, burial grounds and open spaces within Council properties.

	£000£
Turnover	(11,616)
Expenditure	11,547
(Surplus)	(69)
Deficit 2007/08	390

Roads Maintenance Service

The Council provides a road maintenance service. The services provided include the maintenance of roads, winter maintenance, lighting maintenance, car park maintenance, harbour maintenance, flood prevention maintenance and bus shelter maintenance. In addition, the Roads unit undertakes trunk road maintenance work as a subcontractor to Amey Highways. The unit also undertakes work in respect of Council capital schemes.

	0003
Turnover	(17,483)
Expenditure	17,036
(Surplus)	(447)
(Surplus) 2007/08	(387)

Net Deficit on Statutory Trading Operations

Under the Local Government in Scotland Act 2003, each of the Council's Statutory Trading Operations is required to break even (i.e. generate income of not less than its expenditure) on a three year rolling basis. The three year results of the Council's Statutory Trading Operations can be summarised as follows:-

	2006/07	2007/08	2008/09	3 Year
	(Surplus)/	(Surplus)/	(Surplus)/	(Surplus)/
	Deficit	Deficit	Deficit	Deficit
	£000	£000	£000	£000
Catering & Cleaning Service	449	639	639	1,727
Cleansing & Grounds Maintenance Service	733	390	(69)	1,054
Roads Maintenance Service	(441)	(387)	(447)	(1,275)
Total	741	642	123	1,506

As summarised in the table above, two of the Council's three Statutory Trading Operations have failed to meet the financial target of at least breaking even over three years.

It is important to emphasise that the trading results of the Catering & Cleaning trading operation have been significantly affected by the exceptional impact of back-dated equal pay compensation costs which have added £483k to the 2006/07 cost, £536k to the 2007/08 cost and £671k to the 2008/09 cost of that unit.

A review of the Cleansing & Grounds Maintenance trading operation has led to a range of measures that have contributed to a surplus on the Grounds Maintenance Unit and a reduction in the deficit associated with Cleansing activities in 2008/09. Further measures have been agreed as part of the Council's Waste Management Strategy to ensure that continuing deficits on cleansing activities are addressed over the upcoming period.

Following the loss of its main external customer at the end of 2007/08, the Property Maintenance trading operation was significantly downsized during 2008/09. As a result of the changes within the service the operation no longer fell within the Council's criteria for determining statutory trading operation and has therefore been removed from this note.

The Code of Practice on Local Authority Accounting in the United Kingdom requires the removal of all notional interest charges previously made to service revenue accounts and trading accounts. However the work carried out by the Statutory Trading Operations has been priced to include an element of capital charging in line with the private sector. Therefore notional interest charges in the Statutory Trading Operations have been substituted by loans fund interest charges for the purposes of determining operating surpluses or deficits.

The 2008/09 Net Deficit on Statutory Trading Operations shown above can be reconciled to the Net Deficit on Trading Undertakings shown on the Income & Expenditure Account as follows:

	£000
Net Deficit on Statutory Trading Operations	123
Allocated to Services in Net Cost of Service	600
Loans Fund Interest charged 2008/09	(1)
Interest on revenue balances charged 2008/09	(45)
Interest on stock charged 2008/09	(18)
Exceptional Item, Equal Pay, in Net Cost of Service	(671)
Net Deficit on Non- Statutory Trading Units	18
Net Deficit on Trading Undertakings	6

5. Expenditure on Publicity

The Council is required by Section 5(1) of the Local Government Act 1986 (Part II) to keep a separate account of its expenditure on publicity. The following statement summarises the costs incurred:

	2007/08 £000	2008/09 £000
Advertising Booklets, Publications, Leaflets Statutory Notices	309 139 74	390 198 44
Other	419	347
Total	941	979

6. Agency Income and Expenditure

The Council bills and collects domestic water and wastewater charges on behalf of Scottish Water as part of its Council Tax billing and collection arrangements. The Council received £385k in 2008/09 (£364k in 2007/08) for providing this service.

7. Local Authority (Goods & Services) Act 1970

The Local Authority (Goods & Services) Act 1970 allows the Council to enter into agreements with other public bodies to provide goods & services.

During 2008/09 the main activities and associated income were as follows:

	2007/08 £000	2008/09 £000
Social care	8,972	7,797
Improvement & maintenance of trunk road network	2,428	7,136
Improvement & maintenance of local road network	45	310
Property & Grounds Maintenance	7,507	991
Vehicle & Fleet Management	22	26
Architectural Services	8	5
Building Cleaning	50	70
Space on Council masts	90	93
•	19,122	16,428

8. Members Remuneration

The total amount paid in 2008/09 in respect of Members' salaries and allowances was £822k (£766k was paid in salaries and allowances in 2007/08) with a further £158k (£158k in 2007/08) paid in respect of reimbursement of expenses.

9. Employee Remuneration

The following table shows the number of employees whose remuneration was £50,000 or more.

	2007/08 Number of Employees	2008/09 Number of Employees
£120,000 to £129,999	1	2
£110,000 to £119,999	1	0
£100,000 to £109,999	1	1
£90,000 to £99,999	5	6
£80,000 to £89,999	2	4
£70,000 to £79,999	9	11
£60,000 to £69,999	32	31
£50,000 to £59,999	90	105
Total	141	160

10. Related Parties

The following provides a summary of the Council's material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled and influenced by the Council.

Central Government is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of Central Government Grants received are provided in Note 40.

NHS Dumfries & Galloway transfers resources to the Council for the resettlement and social care of clients who would previously have been in long-term hospital care. The resources transferred to the Council under this arrangement totalled £7.797 Million in 2008/09.

During the year, the Pension Fund had an average balance of £2.5 Million of surplus cash deposited with the Council and received a total of £89k in respect of interest on these deposits. The Council has paid interest of £245k to the Pension Fund in respect of a specific loan. The Council charged the Fund a total of £180k for expenses incurred in administering the Fund.

During the year the Council provided funding of £3.293 Million to the South West Scotland Transport Partnership (SWestrans) which is an associate organisation of the Council. The SWestrans does not employ its own staff and during 2008/09 the Council charged the SWestrans £216k in respect of staff support, supplies and other support services. The Council also received a grant from the SWestrans totalling £30k to support travel plan activities.

Elected Members of the Council have direct control over the Council's financial and operating policies. Transactions between the Council and its Members or organisations in which Members have interests can be ascertained through the Statutory Register of Members Interests and there were no material transactions in financial year 2008/09.

11. Audit Fees

The external audit fee payable to Audit Scotland for 2008/09 was £416k (£420k in 2007/08).

12. Any other gains or losses to be included in the Statement of Total Recognised Gains and Losses

	2007/08 £000	2008/09 £000
Movement on the Insurance Fund	(296)	327
Any other (gains) & losses required to be included in STRGL	(296)	327

13. Summary of Capital Expenditure & Sources of Finance

Fixed Assets and Capital Expenditure

- Operational Assets

	Council Dwellings	Other Land & Buildings	Vehicles & Plant	Infra- structure	Community Assets	Total Operational Assets
	£000	£000	£000	£000	£000	£000
Gross Book Value at 1 April 2008	87	412,643	16,604	69,976	277	499,587
Reclassifications	0	12,572	0	0	0	12,572
Additions	0	11,796	4,965	8,112	0	24,873
Disposals	0	0	(538)	0	0	(538)
Revaluations	0	31,915	(375)	0	912	32,452
Impairments	0	(1,367)	(12)	0	0	(1,379)
Gross Book Value at 31 March 2009	87	467,559	20,644	78,088	1,189	567,567
Depreciation at 1 April 2008	(16)	(35,107)	(6,552)	(9,154)	1	(50,828)
Depreciation on reclassifications	Ó	` 161	Ó	Ó	0	` 161
Depreciation charge for year	(4)	(20,116)	(2,448)	(2,350)	0	(24,918)
Depreciation written back on disposals	0	0	471	Ó	0	471
Depreciation written back on revaluations	0	15,272	418	0	0	15,690
Depreciation written back on impairments	0	337	12	0	0	349
Depreciation at 31 March 2009	(20)	(39,453)	(8,099)	(11,504)	1	(59,075)
Net Book Value at 31 March 2009	67	428,106	12,545	66,584	1,190	508,492
Nature of asset holding						
Owned	67	428,106	12,545	66,584	1,190	508,492
Finance lease	0	0	0	0	0	0
PFI	0	0	0	0	0	0
	67	428,106	12,545	66,584	1,190	508,492

- Non Operational Assets	Investment Properties	Assets Under Construction	Land Awaiting Development	Surplus Assets	Total Operational Assets
	£000	£000	£000	£000	£000
Gross Book Value at 1 April 2008	3,785	18,488	2,467	4,388	29,128
Reclassifications	0	(11,987)	(1,800)	1,215	(12,572)
Additions	0	12,606	Ó	5	12,611
Disposals	0	0	0	(1,025)	(1,025)
Revaluations	197	0	21	910	1,128
Impairments	(15)	0	0	(1,052)	(1,067)
Gross Book Value at 31 March 2009	3,967	19,107	688	4,441	28,203
Depreciation at 1 April 2008	(82)	0	(4)	(20)	(106)
Depreciation on reclassifications	0	(54)	0	(107)	(161)
Depreciation charge for year	0	Ó	(3)	(123)	(126)
Depreciation written back on disposals	0	0	Ó	` 27	` 27
Depreciation written back on revaluations	67	0	5	65	137
Depreciation written back on impairments	1	0	0	106	107
Depreciation at 31 March 2009	(14)	(54)	(2)	(52)	(122)
Net Book Value at 31 March 2009	3,953	19,053	686	4,389	28,081
Nature of asset holding					
Owned	3,953	19,053	686	4,389	28,081
Finance lease	0,900 N	0	0	1 ,509	20,001
PFI	0	0	0	0	0
	3,953	19,053	686	4,389	28,081

One of the key indicators of the Prudential Code which provides a framework for the governance of Local Authority capital expenditure is the Capital Financing Requirement (CFR). The CFR reflects the Council's underlying need to borrow to fund capital expenditure. The following table shows the movement in the CFR during the year.

	2007/08 £000	2008/09 £000
Opening Capital Investment Requirement	208,258	213,088
Capital Investment		
Operational assets	19,700	24,873
Intangible assets	350	233
Covenant repayments	146	0
Non-operational assets	9,795	12,610
	29,991	37,716
Financed as follows:		·
Capital receipts	504	313
Government grants & other contributions	14,949	14,138
Revenue provision (including Loans Fund principal)	9,708	10,306
	25,161	24,757
Closing Capital Requirement	213,088	226,047
Explanation of movements in the year:		
Increase/ (decrease) in underlying need to borrow	4,830	12,959
Increase/ (decrease) in Capital Financing Requirement	4,830	12,959

14. Commitments Under Capital Contracts

The Council had undertaken the following significant capital commitments as at 31 March 2009:-

Property	Project Description	Commitment £000	Project Completion Date
Lincluden Primary School	New build	1,915	2009/10
Troqueer Primary School	New build	1,885	2009/10
Cargenbridge Primary School	New build	971	2009/10
Annan Academy	Science lab refurbishment	329	2009/10
Douglas Ewart High School	Renew curtain walling & roof	271	2009/10
Sanguhar Academy	Science labs refurbishment	269	2009/10
Castle Douglas High School	Refurbishment of HE Rooms	188	2009/10
Carlingwark Outdoor Centre	Refurbishment	102	2009/10

15. Information on Tangible Fixed Assets Held

The main categories of assets held by the Council as at 31 March 2009 can be summarised as follows:-

	Number as at 31 March 2008	Number as at 31 March 2009
Operational Land & Buildings		
Council offices & buildings	158	159
Schools	131	131
Libraries	20	20
Sports facilities	41	43
Residential homes & day care centres	26	25
Museums & galleries	10	10
Depots & workshops	40	39
Cemeteries	144	145
Public halls	31	32
Public conveniences	77	76
Refuse disposal sites	14	14
Other properties	87	88
Off street car parks	105	107
Infrastructure		
Roads (kilometres)	4,138	4,138
Sea defences	5	6
Bridges	1,121	1,268
Community Assets		
Parks	21	21
Miscellaneous recreational facilities	98	101
Memorials	33	33
Dwellings	6	6

16. Assets Held Under Leases

Operating Leases

The Council incurred expenditure of £4.918 Million in 2008/09 (£5.151 Million in 2007/08) on operating leases as detailed below:

	2007/08 £000	2008/09 £000
Vehicles & Plant Land & Buildings	3,667 1,484 5.151	3,248 1,670 4,918

Commitments under operating leases, including fleet hire, amount to £4.769 Million in 2009/10, as detailed below:

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Leases expiring in 2009/10	438	262	700
Leases expiring between 2010/11 & 2013/14	522	2,791	3,313
Leases expiring after 2013/14	710	46	756
	1,670	3,099	4,769

Finance Leases

All assets leased by Dumfries and Galloway Council have been classified as operating leases.

17. Assets Held For Lease

The Council received income of £1.004 Million in 2008/09 (£1.135 Million in 2007/08) from operating leases related to land and buildings. The gross value of these leased assets was £42.150 Million with accumulated depreciation of £2.022 Million. No assets are currently held by the Council for the purposes of letting under finance leases.

18. Tangible Fixed Asset Valuations

In compliance with the *Code of Practice on Local Authority Accounting in the United Kingdom*, the valuations of the Council's fixed assets are undertaken by MRICS qualified valuers within the Council's internal Property Services department. Valuations are undertaken as part of a Rolling Programme which has been designed to ensure that each of the Council's fixed assets is revalued at least once every 5 years in line with statutory requirements. These valuations are undertaken in line with the *Royal Institute of Chartered Surveyors' Valuation Standards 6th Edition (effective from 1/1/2008)*, otherwise known as *The Red Book*. The main bases of valuation can be summarised as follows:-

Dwellings Market Value

Operational Land & Buildings Depreciated Replacement Cost

Vehicles, Plant & Equipment Depreciated Historic Cost as an approximation of Current Value

Infrastructure Depreciated Historic Cost Community Assets Depreciated Historic Cost

Investment Properties

Land awaiting development

Depreciated his Market Value

Market Value

Surplus Assets Market Value
Assets Under Construction Historic Cost

19. Depreciation of Tangible Fixed Assets

Depreciation has been provided for on fixed assets (other than land, investment properties and assets under construction) with a finite useful life which can be determined at the time of acquisition or revaluation. The depreciation methods and useful lives used within each category of fixed assets have been determined on an individual asset basis by the Council's internal valuers in line with RICS recommended practice. The Council employed the following depreciation policies for each class of fixed asset held during the year:-

Dwellings Depreciated on a Straight Line basis over up to 50 years
Operational Land & Buildings Buildings Depreciated on a Straight Line basis over up to 50 years

Vehicles, Plant & Equipment
Infrastructure
Depreciated on a Straight Line basis over up to 20 years
Depreciated on a Straight Line basis over up to 50 years
Depreciated on a Straight Line basis over up to 50 years
Depreciated on a Straight Line basis over up to 50 years

Non Operational Asset

Depreciated on a Straight Line basis over up to 50 years, except for investment properties and assets under construction which are not

depreciated

20. Intangible assets

The Council's material intangible assets comprise solely of thirteen software licences with a net value of £740k at 31 March 2009. The software licences are amortised over their estimated useful life of up to 10 years on a straight line basis. The amortisation charge for the year was £183k. Intangible assets are valued at depreciated historic cost.

	£000
Original Cost Amortisations to 1 April 2008	837 (147)
Balance as at 1 April 2008	69Ó
Expenditure in year	233
Amortisation charge for year	(183)
Balance as at 31 March 2009	740

21. Group Accounts

The Council has reviewed the nature of its interests with external organisations in order to assess the extent of its group relationships.

The South West of Scotland Transport Partnership (SWestrans) was set up under the Transport (Scotland) Act 2005 and the Council's public transport functions were transferred to the SWestrans under a Transfer of Functions Order on 7 November 2006. The Council is able to exercise a significant influence over the SWestrans through 5 Council members being board members (out of a total board membership of 7), and therefore has a group relationship with the SWestrans which is considered to be an associate of the Council. In the period to 31 March 2009 the SWestrans had a balanced net operating outturn and the Council's share of this position is not material in terms of the Council's economic activities.

The preparation of Group Accounts is not considered to be necessary to provide a fair presentation of the Council's financial position.

22. The Insurance Fund

The Council has a self-insurance policy in respect of all liability claims intimated against the Council and all motor claims involving the Council's fleet. This means that the first £62,827 arising on each claim is payable by the Council. In order to limit the total cost to the Council in any one financial year, a stop-loss policy exists with the insurers. The main purpose of the Insurance Fund is to meet the cost to the Council of self-insured claims and associated expenses. The balance on the Insurance Fund was £2.445 Million as at 31 March 2009.

23. Provisions

Equal Pay - at the end of financial year 2008/09 the Council has a provision of £8.250 Million in respect of the estimated further compensation payments to be made to groups of workers under the Equal Pay Act 1970 (As Amended). The provision has been increased by £1.500 Million in 2008/09 due to further potential payments due.

24. Reserves

The following table lists all of the reserves held by the Council. Further information on the purpose and movements on each reserve is detailed after the table.

	Balance as at 1/4/08 £000	Net Movement in Year £000	Balance as at 31/3/09 £000	Note
Capital Adjustment Account	178,230	(12,502)	165,728	(a)
Financial Instruments Adjustment Account	(1,940)	112	(1,828)	(b)
Revaluation Reserve	47,741	47,360	95,101	(c)
Capital Receipts Reserve	14,748	552	15,300	(d)
Pensions Reserve	(265,456)	(60,026)	(325,482)	(e)
Capital Fund	3,671	(976)	2,695	(f)
Renewal & Repairs Fund	1,842	(26)	1,816	(g)
Insurance Fund	2,675	(230)	2,445	(h)
General Fund	39,607	6,870	46,477	(i)
	21,118	(18,866)	2,252	

(a) The **Capital Adjustment Account** provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and financed through the capital controls system. These resources are matched by fixed assets within the Balance Sheet and are not resources available to the Authority.

	£000
Canital receipts applied	242
Capital receipts applied	312
Capital expenditure financed from current revenue	105
Depreciation charged to revenue	(25,228)
Impairment charge to revenue	(1,988)
Government grants amortised to revenue	3,088
Provision for loan repayment	10,202
Amount written off fixed asset disposals in 2008/09	(1,065)
Previous revaluation gains removed	109
Government grants written out on disposal	23
Adjustment to bring Revaluation Reserve to historic cost basis	1,940
Net movement in reserve in 2008/09	(12,502)

(b) The **Financial Instruments Adjustment Account** provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund. These resources are matched by borrowings and investments within the Balance Sheet and are not resources available to the Authority.

	£000
Transfer (to)/ from General Fund	112
Net movement in reserve in 2008/09	112

(c) The **Revaluation Reserve** records unrealised revaluation gains arising since 1 April 2007 from holding fixed assets. These resources are matched by fixed assets within the Balance Sheet and are not resources available to the Authority.

	£000
Revaluations in year	31,532
Depreciation written back on revalued assets	15,828
Net movement in reserve in 2008/09	47,360

(d) The **Capital Receipts Reserve** represents resources generated through the sale of capital assets which are available to the Council to be spent on capital projects and approved expenses.

	£000
Amounts received in 2008/09	1,549
Transfer to Capital Fund	(685)
Amounts applied to fund new capital investment	(312)
Net movement in reserve in 2008/09	552

(e) In line with the requirements of Financial Reporting Standard 17 (FRS17), the Council now recognises the cost of retirement benefits in the Net Cost of Service (within the Income & Expenditure Account) when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the cost of providing pensions for employees is still funded in accordance with the relevant statutory requirements and to reconcile this difference a **Pension Reserve** has been created.

	£000
Employers contribution payable to Pension Fund Net charges made for retirement benefits in accordance with FRS17	23,058 (37,353)
Actuarial gain/ (loss)	(45,731)
Net movement in reserve in 2008/09	(60,026)

(f) The Capital Fund represents the amount set aside by the Council to fund expenditure on fixed assets.

	000£
Capital receipts	685
Transfers to fund capital expenditure	(589)
Transfers (to)/ from General Fund	(1,180)
Interest on balances	108
Net movement in reserve in 2008/09	(976)

(g) The **Renewal & Repairs Fund** represents amounts set aside to fund expenditure incurred in repairing, maintaining, replacing and renewing fixed assets.

	£000
Transfer (to)/ from General Fund	(88)
Interest on balances	62
Net movement in reserve in 2008/09	(26)

(h) The Council has a self-insurance policy in respect of all liability claims intimated against the Council and all motor claims involving the Council's fleet. This means that the first £62,827 arising on each claim is payable by the Council. In order to limit the total cost to the Council in any one financial year, a stop-loss policy exists with the insurers. The main purpose of the **Insurance Fund** is to meet the cost to the Council of self-insured claims and associated expenses.

	000£
Transfer (to)/ from General Fund	(327)
Interest on balances	97
Net movement in reserve in 2008/09	(230)

(i) **General Fund** balances are a fundamental part of prudent financial management. The following table identifies those amounts that have already been set aside for specific purposes and those which remain 'unallocated' to be used to resource unforeseen expenditure demands, to assist cash flow management and to be used in the Council's medium to longer term financial planning.

	Opening Balance £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2009 £000
Unallocated Balance	8,926	857	0	9,783
Schools PPP Sinking Fund	10,179	5,015	0	15,194
Waste PFI Sinking Fund	7,226	1,760	0	8,986
Regeneration & Housing	3,587	647	(2,755)	1,479
Devolved School Management Reserve	1,010	0	(264)	746
Police & Fire Statutory Reserves	975	813	0	1,788
Carried Forward specific project funding	2,429	0	(1,353)	1,076
Affordable Social Housing (2 nd Homes Discount)	2,458	865	(939)	2,384
Equal Pay/ Single Status	1,170	738	0	1,908
Service Reserves	1,647	1,486	0	3,133
	39,607	12,181	(5,311)	46,477

The Council's budget strategy (based on the budget agreed in February 2009) requires a contribution from balances of £2.435 Million in 2009/10. This contribution would reduce Unallocated Balances from the current figure of £9.783 Million to £7.348 Million at 31 March 2010.

25. Contingent Liabilities

Equal Pay

The Council has a contingent liability relating to the risk that the extent of compensation due to individual groups of workers could increase beyond the provision detailed in Note 23 and a further risk that groups of workers not currently included in this estimate may be successful in claiming compensation under the terms of the legislation.

Annandale and Eskdale Sports and Leisure Trust

The Council has been served a writ by the Annandale and Eskdale Sports and Leisure Trust seeking compensation under several headings in relation to the termination of the Service Level Agreement, currently extended to 31 March 2010. The level of compensation due can not be reasonably estimated at this stage.

26. Date of Authorisation for Issue

The Statement of Accounts has been authorised for issue by Gordon Lawson, Director of Support Services on 25 June 2009. This is the date up to which events after the Balance Sheet date have been considered.

27. Trust Funds

A separate statement on page 47 of this document provides details of trust funds for which the Council acts as trustee.

28. Debtors

The Debtors balance consists primarily of debts in respect of Council Tax and amounts due from Central Government & other sundry debtors. This can be summarised as follows:

2007/08 £000		£000	2008/09 £000
10,975 (9,614) 1,361	Council Tax Provision for bad debts	11,499 (10,160)	1,339
1,449 (776) 673	Non domestic rates Provision for bad debts	2,193 (996)	1,197
8,113	Government grants		6,531
3,650	VAT recovery		3,011
15,579 (4,446) 11,133	General debtors Provision for bad debts	17,102 (4,053)	13,049
24,930			25,127

29. Creditors

The Creditors balance consists primarily of payroll accruals and trade & other creditors. This can be summarised as follows:

	2007/08 £000	2008/09 £000
Payroll accruals	5,392	8,549
Trade creditors	15,022	15,022
Payments received in advance	6,599	9,267
Goods received but not invoiced by 31 March 2009	4,299	6,366
Other Creditors	23,139	20,482
	54,451	59,686

30. Pensions

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the following separate pension schemes

- The Local Government Pension Scheme for administrative and manual employees is administered locally by Dumfries & Galloway Council. This is a funded defined benefit final salary scheme, which operates through both the Council and employees paying contributions into the fund with the contribution rates set at a level intended to balance pensions liabilities against investment assets.
- The Police Pensions Scheme for police officers is an unfunded defined benefit final salary scheme administered by Dumfries & Galloway Council. In this type of scheme there are no investment assets built up to meet the pensions liabilities, and therefore pension payments are funded directly from revenue as they eventually fall due.
- The Fire Pensions Scheme for fire fighters is an unfunded defined benefit final salary scheme administered by Dumfries & Galloway Council. In this type of scheme there are no investment assets built

- up to meet the pensions liabilities, and therefore pension payments are funded directly from revenue as they eventually fall due.
- The Teachers Pension Scheme for teachers is a defined benefit scheme administered by the Scottish Government. Further details on the scheme are provided in Note 31.

Transactions relating to retirement benefits

The Council recognises 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 the Council is 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:

	LGPS		Polic	е	Fire	
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
	£000	£000	£000	£000	£000	£000
Income & Expenditure Account Included in Net Cost of Service						
current service cost	14,708	10,018	7,000	6,200	1,900	1,200
past service costs	1,755	1,902	400	0	0	0
Included in Net Operating Expenditure						
interest cost	27,856	31,206	10,800	12,300	2,700	3,300
expected return on scheme assets	(29,307)	(28,773)	0	0	0	0
Net charge to Income & Expenditure Account	15,012	14,353	18,200	18,500	4,600	4,500
Statement of Movement on the General Fund Balance						
reversal of net charges made for retirement benefits in accordance with FRS17	(15,012)	(14,353)	(18,200)	(18,500)	(4,600)	(4,500)
employers contributions payable to scheme	16,904	17,013				
retirement benefits payable to pensioners			3,323	4,156	972	975

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £45.731 Million (£87.320 Million in 2007/08) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £33.516 Million.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	Funded Li	iabilities	Unfunded Liabilities Police		Unfunded Liabilities Fire	
	LGF	PS				
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
	£000	£000	£000	£000	£000	£000
1 April	508,120	450,869	197,568	177,445	49,528	47,336
Current service cost	14,708	10,018	7,000	6,200	1,900	1,200
Interest cost	27,856	31,206	10,800	12,300	2,700	3,300
Contributions by scheme participants	4,525	4,451	1,830	1,915	465	451
Actuarial(gains)/ losses	(93,211)	(47,749)	(35,000)	(13,645)	(5,900)	(5,536)
Benefits paid	(12,884)	(18,756)	(5,153)	(6,071)	(1,357)	(1,426)
Past service costs	1,755	1,902	400	Ó	Ó	Ó
31 March	450,869	431,941	177,445	178,144	47,336	45,325

Recognition of the fair value of the scheme assets:

	LGPS	LGPS		
	2007/08	2008/09		
	2000	£000		
1 April	418,231	410,194		
Expected rate of return	29,307	28,773		
Actuarial (gains)/ losses	(46,791)	(112,661)		
Employer contributions	17,806	17,927		
Contributions by scheme participants	4,525	4,451		
Benefits paid	(12,884)	(18,756)		
31 March	410,194	329,928		

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 £82.498 Million (£17.514 Million in 2007/08)

Scheme History

	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000
Present value of liabilities:					
• LGPS	(423,800)	(515,340)	(508, 120)	(450,869)	(431,941)
 Police 	(166,700)	(200,100)	(197,568)	(177,445)	(178,144)
• Fire	(42,800)	(49,900)	(49,528)	(47,336)	(45,325)
Fair value of assets in the LGPS	304,000	387,563	418,231	410,194	329,928
Surplus/ (deficit) in the scheme:					
• LGPS	(119,800)	(127,777)	(89,889)	(40,675)	(102,013)
 Police 	(166,700)	(200,100)	(197,568)	(177,445)	(178,144)
• Fire	(42,800)	(49,900)	(49,528)	(47,336)	(45,325)
Total	(329,300)	(377.777)	(336,985)	(265,456)	(325,482)

The Council has elected, on the grounds of materiality, not to restate fair value of scheme assets for previous years as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £325.482 Million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £2.252 Million.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains assured. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Funding is only required to be raised to cover Police and Fire pensions when the pensions are actually paid.

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2010 is £15.334 Million.

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 assumptions about mortality rates, salary levels, etc. The independent actuaries appointed by the Council, Hymans Robertson, have assessed the liabilities of the Council, the Police Pension scheme and the Fire Pension scheme, based on the latest full valuation of the scheme as at 31 March 2008.

The principal assumptions used by the actuary have been:

	LGI	PS	Poli	ce	Fir	е
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
	£000	£000	£000	£000	£000	£000
Long term expected rate of return on assets in the scheme						
 equity investments 	7.7%	7.0%	0	0	0	0
• bonds	5.7%	5.4%	0	0	0	0
• other	5.5%	4.4%	0	0	0	0
Mortality assumptions						
 longevity at 65 for current pensioners 						
o men	19.4 yrs	19.8 yrs	25.4 yrs	27.6 yrs	25.4 yrs	27.6 yrs
o women	22.4 yrs	22.8 yrs	28.4 yrs	31.0 yrs	28.4 yrs	31.0 yrs
 longevity at 65 for future 	-		-	-	-	-
pensioners						
o men	20.5 yrs	21.0 yrs	26.1 yrs	29.2 yrs	26.1 yrs	29.2 yrs
o women	23.4 yrs	24.0 yrs	29.1 yrs	32.7 yrs	29.1 yrs	32.7 yrs
Rate of inflation	3.6%	3.1%	3.6%	3.1%	3.6%	3.1%
Rate of increase in salaries	5.1%	4.6%	5.1%	4.6%	5.1%	4.6%
Rate of increase in pensions	3.6%	3.1%	3.6%	3.1%	3.6%	3.1%
Rate for discounting scheme liabilities	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
Take-up option to convert annual	25.0%	50.0%	90.0%	90.0%	90.0%	90.0%
pension into retirement lump sum						

The Police and Fire Pension Schemes have no assets to cover their liabilities. The LGPS's assets consist of the following categories, by proportion of the total assets held:

	31 March 2008	31 March 2009
	%	%
Equity investments	65	58
Bonds	27	33
Other assets	8	9
	100	100

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, measured as a percentage of assets or liabilities at 31 March 2009:

LGPS

	2004/05 %	2005/06 %	2006/07	2007/08 %	2008/09 %
Difference between expected & actual	(3.4)	(12.8)	0.2	11.4	34.3
return on assets Experience gains and losses	17.6	10.7	(7.3)	(20.5)	(12.3)

Police

	2004/05 %	2005/06 %	2006/07 %	2007/08 %	2008/09 %
Difference between expected & actual	0	0	0	0	0
return on assets Experience gains and losses	19.3	10.3	(8.3)	(19.7)	(7.5)

Fire

10					
	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	%	%	%
Difference between expected & actual	0	0	0	0	0
return on assets					
Experience gains and losses	22.8	8.8	(7.5)	(12.5)	(11.9)

Commitment to Pay Future Retirement Costs

As part of the restructuring of the Council's senior management arrangements the Council has agreed the future early retirements, on efficiency grounds, of six senior officers and the redundancy of a further two officers. The agreement to these departures committed the Council to making the following payments:

	Early Retirements £000	Redundancies £000
Compensation to the Pension Fund for early release of pension (Strain on Fund)	253	308
Additional Pensions lump sums	85	0
Compensation for loss of office	0	85

In addition to the above costs, increased pensions of £48k will require to be paid annually during the lifetime of the pensions. The capitalised value (i.e. the present value of these increased annual pensions over the projected period of payment) has been actuarially estimated at £947k.

The total value of these early retirement and redundancy costs of £1.678 Million has been reflected within the Net Cost of Services in the 2008/09 Income & Expenditure Account on page 9.

Local Government Pension Reserve Fund (Scotland) Regulation 2003

In relation to the Council's employer's pension costs, legislation generally requires that the difference between retirement benefit costs as calculated under FRS17 and the Council's actual employer's pension contributions are charged to the Pension Reserve. There is currently no legislation that permits this in respect of the new Police and Fire Pension Schemes which commenced from 6 April 2006. It is anticipated that this will be corrected by legislative action during the 2009/10 financial year.

An assessment of the impact on the 2008/09 Accounts has been undertaken. It has been identified that any adjustments to the Accounts associated with the absence of the legislation would not have had a material impact on the Council's Accounts at £371k, therefore no adjustments have been made to the Accounts.

31. Teachers Pension Scheme

Teachers employed by Dumfries and Galloway Council are members of the Scottish Teachers' Pension Scheme, administered by the Scottish Government. This is a defined benefit scheme. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In respect of the Teachers Pension Scheme, deductions from Teachers' pay were made at a rate of 6.4% and the Council contributed a further 13.5% of Teachers' pay. The amounts paid to the Scottish Public Pensions Agency in 2008/09 amounted to £3.847 Million (£3.728 Million in 2007/08) being deducted from employees and £8.009 Million (£7.753 Million in 2007/08) funded from the Council as the employer.

The total added years discretionary payments made to former teachers in 2008/09 amounted to £914k (£902K in 2007/08).

Financial Instruments Disclosures

32. Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March	31 March	31 March	31 March
	2008	2009	2008	2009
	£000	£000	£000	£000
Financial liabilities at amortised cost Total borrowings	161,893	142,847	61,627	79,101
	161,893	142,847	61,627	79,101
Loans and receivables Total investments	0	0	74,705 74,705	65,782 65,782

33. Financial Instruments Gains/ Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities Liabilities measured at amortised cost		Financial Assets Loans and receivables		Total	
	2007/08 £000	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000	2008/09 £000
Interest expense	9,813	8,852	0	0	9,813	8,852
Interest payable & similar charges	9,813	8,852	0	0	9,813	8,852
Interest income	0	0	(1,973)	(2,079)	(1,973)	(2,079)
Interest & investment income	0	0	(1,973)	(2,079)	(1,973)	(2,079)
Net (gain)/ loss for year				-	7,840	6,773

34. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets, represented by loans and receivables, are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining term of the instruments, using the following assumptions:

- loan rates for each loan,
- 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 value is based on the comparable new borrowing/ deposit rate for the same financial instruments from a comparable lender. A consistent approach has been applied to financial assets and financial liabilities. The fair values calculated are as follows:

	31 March 20	08	31 March 2009		
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000	
Financial liabilities	223,520	258,903	221,948	256,781	
Loans and receivables	74,705	74,827	65,782	65,917	

The fair value of the financial liabilities is more than the carrying amount because the Council's loan portfolio includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the debt.

The fair value of the loans and receivables is higher than the carrying amount because the Council's portfolio of investments 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 guarantee to receive interest above the current market rate increases the amount that the Council would receive if it agreed to early repayment of the loan.

35. Disclosures of Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk the possibility that other parties might fail to pay amounts due to the Council,
- liquidity risk the possibility that the Council might not have funds available to meet its commitments to make payments,
- market risk the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they are on the Council's approved lending list. This list is under constant review. The list is based on a credit rating matrix produced by the Treasury Management Consultants and reflects ratings supplied from independent credit rating agencies. The approved lending list defines maximum periods and amounts that can be deposited with specific counterparties. The Council has a policy of not lending more than £20 Million of its surplus balances to any one institution

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2009	Estimated maximum exposure to default & uncollectability
	£000	%	%	£000
Deposits with banks & financial institutions	38,524	0	0	0
Customers	6,502	7	7	455

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds. Early in October 2008 the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks (Heritable and Kaupthing Singer & Friedlander) went into administration. The Council did not have any exposure to these banks, but the Council's maximum exposure to credit risk has been adjusted in light of the authorities who experienced a bank default with these institutions.

The Council does not generally allow credit for customers, however there is a total sundry debtors debt of £6.502 Million of which £5.038 Million is past its date for payment. The past due date amount can be analysed by age as follows:

Age	2007/08	2008/09
	£000	£000
Less than 3 months	2,995	3,000
3 – 6 months	342	267
6 months – 1 year	461	632
More than 1 year	724	1,139
Total	4,522	5,038

Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 15% of loans are due to mature in any one year through a combination of careful 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:

	2007/08 £000	2008/09 £000
Less than one year	2,774	10,599
Between one and two years	74	88
Between two and five years	10,450	15,483
More than five years	151,369	127,276
	164,667	153,446

All trade and other payables are due to be paid in less than one year.

Market risk

a) Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates the interest expense charged to the Income and Expenditure Account will rise,
- borrowings at fixed rates the fair value of the liabilities borrowings will fall,
- investments at variable rates the interest income credited to the Income and Expenditure Account will rise,
- investments at fixed rates the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or the Statement of Total Recognised Gains & Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and therefore impact on the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains & Losses.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update monitoring reports during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	4
Increase in interest receivable on variable rate investments	(134)
Impact on Income & Expenditure Account	(130)
Decrease in fair value of fixed rate investment assets	10
Impact on Statement of Total Recognised Gains & Losses	10
Decrease in fair value of fixed rate borrowings (no impact on I&E Account or STRGL)	23,076

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

b) Price risk

The Council does not hold equity shares for investment purposes and therefore has no exposure to losses arising from movements in the prices of the shares.

c) Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Notes to the Cash Flow Statement

36. Reconciliation of Income & Expenditure Account Surplus to Net Cashflow from Revenue Activities

	£000	2008/09 £000
Deficit on Income & Expenditure Account		22,216
Capital Financing Interest payable Depreciation Amortisation Net gain on sale of fixed assets Release from Government Grants Deferred Account	(8,852) (27,033) (183) 508 3,088	
Pensions		(32,472)
FRS 17 Actual Pension Charges	(37,353) 23,058	(4.4.005)
Items on an accruals basis		(14,295)
Movement in stock, revenue debtors & creditors Provisions & appropriations	(4,185) (174)	(4.050)
Net cash inflow from revenue activities		(4,359) (28,910)

37. Reconciliation Of Movement in Cash to Movement in Debt

	2008/09 £000
(Increase)/ Decrease in cash	284
Movement in borrowing	12,239
Change in net debt	12,523
Opening debt at 1 April 2008	(5,523)
Closing debt at 31 March 2009	7,000

38. Reconciliation of Financing and Management of Liquid Resources

	Balance at 1 April 2008	Cash Flows	Balance at 31 March 2009
	£000	£000	£000
Cash			
Bank	(12,664)	343	(12,321)
Imprests	(35)	(59)	(94)
	(12,699)	284	(12,415)
Borrowing			
Short term advances from other Funds	4,402	2,738	7,140
Short term loans	2,774	9,501	12,275
Total Net Debt	(5,523)	12,523	7,000

39. Liquid Reserves

The short term advances and loans referred to in the Cash Flow Statement arise as a result of the timing of expenditure and associated income and the movements in funds and revenue balances. Amounts invested at 31 March 2009 were repayable within three months of the end of the financial year.

40. Analysis of Government Grants

		2008/09 £000
Revenue Support Grant		224,317
NDR Receipts from National Pool		56,021
Housing Benefits DWP Subsidy for Benefits		39,874
Other Government Grants		
- Education & Community Services	7,825	
- Police	19,096	
- Planning & Environment	2,943	
- Other Services	10,104	
- Benefits Administration	1,528	
		41,496
	•	361,708

Statement 8 - Council Tax Income Account

2007/08 £000		2008/09 £000
70,143	Gross Council Tax Charge	70,904
	Less Deductions	
(2,150)	Exemptions	(2,344)
(88)	Disabled relief	(90)
(6,031)	Discounts	(5,995)
(313)	Prompt Payment Discounts	(323)
) 93	Council Tax Benefits (net of government grant)	` 8Ó
(1,134)	Provision for bad debts	(1,099)
(241)	Previous Year Adjustments	(50)
60,279	Total Transfer to General Fund	61,083

Notes

1. Nature of the Council Tax Charge

The Council Tax charge is based upon the property market value of a domestic property together with a personal element which takes into account the number and circumstances of the occupants of the property. Each household or occupied dwelling is allocated to a council tax band (A - H) by the Assessor. The Council declares an annual tax level for Band D properties and all other properties are charged a proportion of this - lower valued properties pay less, higher valued properties pay more. As part of the Local Government Finance Settlement for 2008/09 additional funding was made available through Government grants in order to freeze Council Tax at 2007/08 levels.

A discount of 25% on the Council Tax is made where there are fewer than two residents in the property. Discounts of 50% are available for some unoccupied properties (job-related homes & purpose built holiday homes). There is also a discount of 10% available for second homes and long-term empty properties. Reductions in Council Tax are also available for people with disabilities where the property has been adapted to meet their needs. Total exemptions are available for some categories of occupants.

Charges for water and sewerage are the responsibility of Scottish Water. The Council collects monies on behalf of Scottish Water.

2. Calculation of the Council Tax base

The number of chargeable dwellings in each valuation band and the corresponding number of Band D dwellings in 2008/09 were as follows:

			2007/08		2008/09
Band	Weighting Factor	Number of	Band D	Number of	Band D
		Dwellings	equivalent	Dwellings	equivalent
Α	6	11,523	7,682	11,559	7,706
В	7	22,679	17,639	22,736	17,684
С	8	10,906	9,694	11,054	9,826
D	9	9,192	9,192	9,251	9,251
E	11	9,687	11,840	9,814	11,995
F	13	4,274	6,174	4,407	6,366
G	15	2,070	3,450	2,139	3,565
Н	18	153	306	155	310
		70,484	65,977	71,115	66,703
Estimate	of discount & exemptions	_	(8,089)		(8,214)
		_	57,888	•	58,489
Allowance	e for bad debt		(1,688)		(1,689)
Council 7	Гах base	-	56,200		56,800

3. Council Tax Levels

In accordance with the freeze on Council Tax the charge per Band D household was retained at the 2007/08 level of £1,049. Applying this to the Band D equivalent tax base of 56,800 the total sum to be raised through the Council Tax in 2008/09 was £59.583 Million. Charges for the other bands within the range A to H vary according to the variable formula, which makes the band A charge equivalent to 6/9 of the Band D charge (£699.33) and the Band H charge equivalent to 18/9 of the Band D charge (£2,098).

	Charge per 2007/08	Dwelling 2008/09
Valuation Band	£	£
A up to £27,0000	699.33	699.33
B £27,000 to £35,000	815.89	815.89
C £35,000 to £45,000	932.44	932.44
D £45,000 to £58,000	1,049.00	1,049.00
E £58,000 to £80,000	1,282.11	1,282.11
F £80,000 to £106,000	1,515.22	1,515.22
G £106,000 to £212,000	1,748.33	1,748.33
H over £212,000	2,098.00	2,098.00

Statement 9 - Non Domestic Rates Income Account

2007/08 £000		2008/09 £000
40,454	Gross Rates Charged	43,017
	Less Deductions	
(1,331)	Vacant properties	(1,467)
(2,520)	Mandatory relief	(4,084)
(823)	Discretionary relief	(827)
(577)	Disabled relief	(595)
(316)	Provision for bad debts	(288)
(12)	Interest on appeals	(39)
34,875	Contribution to National Non-Domestic Rate Pool	35,717
19,273	Contribution from National Non-Domestic Rate Pool	21,066
54,148	Non-Domestic Rates Income to Income & Expenditure Account	56,783

Notes

1. Rate Poundage

The Non-Domestic Rates system is used to raise local tax income on non-domestic properties. The tax is based on applying the non-domestic rate poundage to the rateable value of each property and in 2008/09 the Scottish Government set the rate poundage at 46.2p for properties with a rateable value above £29,000 with a reduced rate of 45.8p applied to properties with rateable values below that level.

2. National Non-Domestic Rates Pool

The Contribution to the National Non-Domestic Rate Pool identified above represents the value of the amounts collected by the Council and contributed through pooling arrangements for Government grant purposes. The Contribution from the National Non-Domestic Rate Pool represents the value of non-domestic rate income distributed to the Council through the Aggregate External Finance mechanism.

3. Analysis of Rateable Subjects and Values as at 1 April 2008

As at 1 A	oril 2007		As at 1 April 2008	
Subjects	Values		Subjects	Values
	£000			£000
5,838	49.708	Commercial	6,305	50,791
212	16,897	Industrial	220	17,191
26	5,288	Public Utilities	27	5,341
2,736	20,829	Miscellaneous	2,682	20,721
8,812	92,722		9,234	94,044

Statement 10 - Pension Fund

Fund Account 2008/09

2007/08 £000		2008/09 £000	9 £000	Note
	Dealings with members, employers and others directly involved in the scheme			
22,619	Contributions receivable	23,842		9
1,334	Transfers in	23,842 1,857		9
23,953	Tansiers III	1,007	25,699	
23,933	Expenditure		25,099	
	Benefits Payable			9
12,529	- Pensions	13,359		3
3,262	- Lump sums – retirement grants	3,147		
283	- Lump sums – death benefit grants	408		
200	Payments to and account of leavers	100		
54	- Refunds of contributions	62		
17	- State scheme premiums	16		
1,572	- Individual transfers out to other schemes	1,604		
331	Administrative expenses borne by the scheme	372		5
18,048	γ		18,968	_
5,905	Net additions/ (withdrawals) from dealing with	_	6,731	-
3,333	Members		0,. 0 .	
	Return on investments			
7,675	Investment income	7,427		6
(26,928)	Change in market valuation	(93,729)		
(1,004)	Investment management expenses	(1,059)		
(20,257)	Net return on investments		(87,361)	
(14,352)	Net increase/ (decrease) in Fund during year		(80,630)	
450,397	Opening net assets as at 1 April 2008		436,045	
436,045	Closing net assets as at 31 March 2009	_ _	355,415	

Net Assets Statement as at 31 March 2009

2007/08 £000		2008/09 £000	Note
	Investment Assets		
52,292	Fixed interest securities – Public Sector	62,829	8
39,279	Fixed interest securities – Other	43,002	8
26,779	Index linked securities	18,247	8
288,063	Pooled investment vehicles – open ended investment companies	211,174	8
24,188	Pooled investment vehicles – UK Property Unit Trusts	14,614	8
2,168	Loans	4,820	8
2,344	Cash	2,810	
1,150	Other investment balances	4,413	
·	Investment Liabilities		
(324)	Other investment balances	(6,641)	
` ,	Current Assets	,	
105	Contributions due from employers	133	
1	Other current assets	14	
436,045		355,415	

Additional Information on Pension Fund Revenue Account & Net Asset Statement

1. Scheduled and Admitted Bodies

The Council, in its capacity as Trustee, administers the Pension Fund for most of the employees of the Council (excluding teachers, police officers and fire fighters), 3 scheduled bodies - Dumfries and Galloway College, Barony College and Scottish Police Service Authority – and 10 admitted bodies:-

- Dumfries and Galloway Arts Association,
- Visit Scotland.
- Crichton Development Trust,
- · Solway Heritage,
- Dumfries and Galloway Housing Partnership.
- Community Integrated Care,
- Annandale and Eskdale Sports and Leisure Trust,
- Crichton Foundation,
- · Shanks Group,
- Connaught plc.

2. Membership Details as at 31 March 2009

	Number of Contributors	Number of Pensioners	Number of Deferred Pensioners
Dumfries and Galloway Council	5,195	1,207	1,886
Dumfries and Galloway College	144	40	79
Barony College	50	20	32
Scottish Police Service Authority	15	1	0
Dumfries and Galloway Arts Association	6	1	5
Visit Scotland	11	7	13
Crichton Development Trust	21	7	11
Solway Heritage	8	3	8
Dumfries and Galloway Housing Partnership	98	22	19
Community Integrated Care	23	51	55
Annandale & Eskdale Sports & Leisure Trust	20	2	13
Crichton Foundation	2	0	2
Shanks Group	11	7	3
Connaught plc	62	0	26
Former Dumfries & Galloway Regional Council	0	1,181	280
Former Annandale & Eskdale District Council	0	98	23
Former Nithsdale District Council	0	161	43
Former Stewartry District Council	0	62	16
Former Wigtown District Council	0	88	23
Former Dumfries County Council	0	1	0
Former Solway River Purification Board	0	3	1
Former Dumfries Town Centre Management	0	5	2
	5,666	2,967	2,540

3. Accounting Policies

The accounting policies followed in the preparation of the Pension Fund Accounts are the same as those adopted by Dumfries and Galloway Council in the preparation of their Annual Accounts. The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice and the provisions of the Recommended Accounting Practice of the Pension SORP. The Pension Fund receives contributions from employees (contributors) and employers together with investment income and pays out pensions and other benefits. The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

The employees' contributions are fixed by statute. The employers' contributions are determined every 3 years by actuarial valuation. The method of calculating the employers' contribution rate is known as the "projected unit method". This method aims to calculate the amount of money to be invested which, together with income and growth in accumulating assets, would be sufficient to make the required payments throughout the lifetime of existing members, pensioners and their dependants. If there continues to be a steady flow of new entrants to the Fund, and the assumptions made in the valuation are borne out, this method results in a stable, long term contribution rate over time.

For employers who have closed the scheme to new employees the "attained age" method of valuation is used. This method takes into account the fact that they are no longer admitting new entrants when calculating the long term contribution rate, the adjustment for past service remaining the same.

4. Actuarial Valuation

Results from the 31 March 2008 valuation showed that the Fund was in deficit, being 88% funded. The long-term employers contribution rate was estimated at 17.4% of pay. To bring the funding level back up to 100% over a fifteen year period an adjustment of 5.5% was made making the total contribution rate 22.9%. In order to achieve some stability in contributions the actuary introduced a stabilisation rule and agreed to phase in contribution increases over a period of three years. Employers' contribution rates were therefore set at 20% for the year to March 2010, 20.5% to March 2011 and 21% to March 2012.

Two employers – Dumfries & Galloway College and Scottish Police Service Authority – have individual employer contribution rates set at 20.5% and 18.5% respectively. In addition the actuary set the employers' contribution rates for closed employers as follows: Dumfries and Galloway Housing Partnership 22.9%, Community Integrated Care 25% and Shanks Group 23.4%. These rates are for the three year period to March 2012.

Assumptions used in the 2008 valuation were:	
Investment returns	6.1% pa
Earnings growth	5.1% pa
Pensions increases	3.6% pa

5. Miscellaneous Expenses

	2007/08 £000	2008/09 £000
Computer systems costs	49	62
Other expenses	106	130
Central administration charge	176	180
	331	372

6. Investment Income

	2007/08 £000	2008/09 £000
Interest from fixed securities	4,912	5,643
Income from index linked securities	373	225
Income from overseas index linked securities	77	23
Income from pooled investment vehicles	2,169	1,403
Interest on cash deposits	379	118
Other (including cost of foreign exchange)	(235)	15
	7,675	7,427

7. Market Value of Scheme's Investment Assets

The Director of Finance is responsible for the management of the Fund and reports to an investment sub-committee. The sub-committee appoint fund managers to undertake the management of the Fund's portfolio. Until December 2005 Deutsche Asset Management managed 100% of the Fund with a discretionary balanced mandate. In December 2005 the fund underwent a restructure whereby two specialist equity managers, State Street Global Advisors and Legal & General Investment Management were appointed to manage the Fund's equity assets in the form of insurance contracts. Following a takeover Aberdeen Asset Management took on the management of fixed interest assets. Property assets remained with Deutsche Asset Management under the trade name RREEF. During 2007/08 State Street Global Advisors were replaced by Alliance Bernstein and Franklin Templeton and an investment in currency was made under the management of FX Concepts. A further investment in currency under the management of Mellon Capital Management was made during 2008/09. The Market Values of the funds under the control of each of the fund managers is as shown in the table below and represents quoted market prices as of 31 March 2009. The market valuation of investments reflects the prevailing stock market conditions as at 31 March 2009. Such issues, amongst others, are factored into the triennial valuation and may or may not result in changes to the employers' contribution rate.

		Assets Under Management		
		Market Value £000	Percentage of Fund %	
Fund Manager				
Aberdeen Asset Management	Fixed Interest	120,626	33.94	
Legal & General Investment Management	UK Equities	91,202	25.66	
Alliance Bernstein Institutional Investments	Global Equities	51,027	14.36	
Franklin Templeton Institutional	Global Equities	58,663	16.50	
RREEF	Property	17,086	4.81	
FX Concepts	Active Currency	8,499	2.39	
Mellon Capital Management	Active Currency	1,784	0.50	
Internal		6,528	1.84	
		355,415	100.00	

The investment sub-committee meets quarterly to review the performance of the Managers and to consider investment strategy. The WM Company provides performance statistics on a quarterly basis. Three Trade Union representatives have observer status on the sub-committee and in practice are free to participate in discussion on a non-voting basis.

The Fund has the facility to participate in a stocklending programme managed by State Street Bank. Under the current structure the ability to undertake stocklending has been reduced and as at 31 March 2009 no stock was released by the Fund under this arrangement.

8. Analysis of Investment Assets

	UK £000	2007/08 Overseas £000	Total £000	UK £000	2008/09 Overseas £000	Total £000
Fixed interest securities – Public Sector	52,292	0	52,292	62,829	0	62,829
Fixed interest securities – Other Index linked securities	39,279 18,233	8,546	39,279 26,779	43,002 18,247	0 0	43,002 18,247
Pooled investment vehicles – open ended investment companies Pooled investment vehicles - UK	153,144 24,188	134,919	288,063 24,188	105,295 14,614	105,879 0	211,174 14,614
Property Unit Trusts Loans	2,168	0	2,168	4,820	0	4,820
	289,304	143,465	432,769	248,807	105,879	354,686

Values of purchases and sales were £112 Million and £106 Million respectively (excluding temporary deposits of surplus cash).

9. Analysis of Contributions Receivable and Benefits Payable

	Dumfries & Galloway Council £000	Scheduled Bodies £000	Admitted Bodies £000	Total £000
Contributions				
Employees	4,923	228	377	5,528
Employers – normal	15,661	740	1,363	17,764
Employers – additional	214	327	9	550
, ,	20,798	1,295	1,749	23,842
Benefits Payable				
Pensions	10,779	2,074	506	13,359
Lump Sums	2,535	226	794	3,555
	13,314	2,300	1,300	16,914

10. Related Party Transactions

During the year, the Pension Fund had an average balance of £2.5 Million of surplus cash deposited with Dumfries and Galloway Council and received a total of £89k in respect of interest on these deposits. At 31 March 2009 the Pension Fund was owed £4.8 Million by the Dumfries and Galloway Council Loans Fund. During the year the Pension Fund was paid £245k by Dumfries and Galloway Council in respect of interest on a specific loan. The Pension Fund was charged £180k by Dumfries and Galloway Council for expenses incurred in administering the Pension Fund.

11. Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998, as amended, require Pension Fund administering authorities to prepare, maintain and publish a statement of the principles governing their decisions on the investment of the Pension Fund.

The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Amendment Regulations 2003 require Pension Fund administering authorities to state the extent to which they comply with the Chartered Institute of Public Finance (CIPFA) Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom.

In accordance with these regulations, a **Statement of Investment Principles & Compliance Statement** for Dumfries and Galloway Council Pension Fund has been prepared and is published on the Council's website.

12. Additional Voluntary Contributions (AVCs)

The Fund is required to offer an Additional Voluntary Contributions (AVC) facility to its Scheme Members. The arrangement operates on a money purchase basis with members' contributions being invested by Standard Life and Scottish Equitable, who are the Council's chosen AVC providers.

The AVCs are sent directly to Standard Life and Scottish Equitable by employers and, as a result, they do not form part of the contribution income of the Fund.

	2007/08 Contributions £000	Fund Value at 31 March 2008 £000	2008/09 Contributions £000	Fund Value at 31 March 2009 £000
Standard Life	74	1,002	56	860
Scottish Equitable	26	88	3	61
	100	1,090	59	921

Statement 11 - Trust Funds

Educational, Welfare & Charitable Trusts Income & Expenditure Account for year ending 31 March 2009

2007/08 Total £000		Educational £000	2008/09 Welfare £000	Charitable £000	Total £000
	Expenditure				
141	Grants	59	7	45	111
0	Depreciation	0	0	19	19
5	Other expenditure	0	0	0	0
146	·	59	7	64	130
	Income				
(78)	Investment income	(63)	0	(35)	(98)
(78)		(63)	0	(35)	(98)
(91)	(Profit)/ loss on sale of investments	27	0	0	27
(23)	(Surplus)/ deficit for year	23	7	29	59

Balance Sheet as at 31 March 2009

2007/08 Total £000		Educational £000	2008/09 Welfare £000	Charitable £000	£000	Total £000
292	Tangible Fixed Assets	0	0	274		274
669	Investments	397	0	88		485
	Current Assets					
1	Debtors	2	0	0	2	
455	Temporary Deposits with Loans Fund	68	8	362	438	
456		70	8	362		440
	Current Liabilities					
(5)	Creditors	0	0	(3)		(3)
1,412	Net Assets	467	8	721	- -	1,196
	Financed by:					
16	Available for Sale Financial Instruments Reserve	(139)	0	(18)		(157)
1,373	Balance in Funds at 1 April	629	15	768		1,412
23	Surplus/ (deficit) for year	(23)	(7)	(29)		(59)
1,412	Balance on Trust Funds at 31 March	467	8	(721)	_	1,196
					_	

Notes for Educational, Welfare & Charitable Trusts:

In its capacity as trustee, the Council administers a number of Educational, Welfare and Charitable Trusts usually provided from legacies of former school pupils, donations to Social Work Services children's homes and other centres, and residents of particular areas.

The income from the investments of the Educational Trusts is used to provide educational grants, school equipment and prizes, whilst that of the Welfare Trusts is used for the wellbeing of residents of children's homes and the users of Adult Resource Centres and Family Centres. The income from Charitable Trusts is used for the benefit of local people according to the purposes specified by the Trust Deeds.

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The Lockerbie and Syracuse University Scholarship Trust is included in the Educational Trusts in the statements above. Its purpose is to send two Lockerbie students to Syracuse University each year. The Trust meets the college fees and everyday expenses of the two students.

Trust Funds are mainly invested in high interest earning investments or placed with the Council's Loans Fund and earn interest accordingly. Investments are stated at market value at 31 March 2009.

The only significant property owned by the Trusts is the Proudfoot Institute in Moffat which is currently valued at £274,000. The property is valued at Depreciated Replacement Cost.

Statement 12 - Common Good

Common Good Funds are held for the benefit of residents of the former Burghs of Kirkcudbright, Castle Douglas, Gatehouse of Fleet, Annan, Lochmaben, Lockerbie, Stranraer, Whithorn, Wigtown, Sanquhar and Dumfries.

The assets of the Funds are the properties of these former Burghs and monies are mainly invested with the Council's Loans Fund. The Funds' expenditure is mainly on the maintenance of properties and on grants made to local organisations, while the Funds' income comes from property rentals and interest generated on investments.

An Income and Expenditure Account and a Balance Sheet are shown below for the aggregated Common Good Funds. Note 1 contains details of the individual Funds for 2008/09

Income and Expenditure Account – for the year ended 31 March 2009

2007/08 £000		2008/09 £000
050	Expenditure	005
656	Property costs	695
65	Grant payments	122
0 5	Capital charges Other expenditure	189 18
726	Other experiatione	1,024
720	Income	1,024
(112)	Fees & charges	(104)
(92)	Interest received	(65)
(638)	Grant income	(648)
(842)	·	(817)
(116)	(Surplus)/ Deficit for Year	207
Ralanco 9	Sheet - as at 31 March 2009	
Dalalice	blicet - as at 31 March 2009	
2007/08		2008/09
£000		£000
3,968	Tangible Fixed Assets	3,828
7	Investments	7
404	Current Assets	
101 1,776	Loans (External) 94 Temporary Deposits with Loans Fund 1,754	
8	Debtors 19	
1,885	<u>10</u>	1,867
1,000	Current Liabilities	1,007
(13)	Creditors	(12)
5,847	Total Assets less Current Liabilities	5,690
		()
0	Grants deferred	(66)
5,847	Total Assets less Liabilities	5,624
	Financed By:	
4,711	Revaluation Reserve	4,695
1,020	Balance in Funds at 1 April 2008 1,136	, -
116	Surplus/ (deficit) for year(207)	
1,136		929
5,847		5,624

Notes

1: Common Good Funds 2008/09

	Kirkcudbright	Castle Douglas	Gatehouse	Annan	Lochmaben	Lockerbie	Stranraer	Whithorn	Wigtown	Dumfries	Sanquhar	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income & Expenditure Account Expenditure												
- Property costs	6	1	0	0	0	0	163	0	0	525	0	695
- Grants	36 17	5 7	1 5	15 16	1 0	4	45 30	4	0 3	11 101	0 7	122 189
 Capital charges Other expenditure 	3	3	0	6	0	0 1	2	3 0	0	2	1	18
Other experience	62	16	6	37	1	5	240	7	3	639	8	1,024
Income		_	_	_			_					
- Fees & charges	(11)	(22)	(2)	(13)	0	(5)	(11)	(1)	0	(36)	(3)	(104)
Interest receivedGrants	(22) 0	(3) 0	(1) 0	(9) 0	(1) 0	(1) 0	(18) (153)	(1) 0	(1) 0	(4) (495)	(4) 0	(65) (648)
- Grants	(33)	(25)	(3)	(22)	(1)	(6)	(182)	(2)	(1)	(535)	(7)	(817)
(Surplus)/ deficit for year	29	(9)	3	15	Ó	(1)	58	5	2	104	1	207
Balance Sheet												
Tangible Fixed Assets	627	199	45	343	0	65	751	95	82	1,513	108	3,828
Investments	3	0	0	1	0	0	3	0	0	0	0	7
Current Assets Loans (External) Temporary Deposits	0 621	0 108	0 27	0 235	1 20	0 27	93 471	0 17	0	0 103	0 116	94 1,754
with Loans Fund												
Debtors	0	0	0	2	0	5	0	0	0	12	0	19
Current Liabilities	621	108	27	237	21	32	564	17	9	115	116	1,867
Creditors	0	(3)	0	(2)	0	0	0	0	0	(7)	0	(12)
Grants Deferred	0	0	0	0	0	0	(66)	0	0	0	0	(66)
Total Assets less Liabilities	1,251	304	72	579	21	97	1,252	112	91	1,621	224	5,624
Financed by: Revaluation Reserve Common Good	1,052	206	50	399	0	65	990	107	90	1,614	122	4,695
Balance at 1/4/08 Surplus/ (Deficit) for year	228 (29)	89 9	25 (3)	195 (15)	21 0	31 1	320 (58)	10 (5)	3 (2)	111 (104)	103 (1)	1,136 (207)
•	1,251	304	72	579	21	97	1,252	112	91	1,621	224	5,624

2: Asset Valuations

Tangible fixed assets represent the Common Good Funds Heritable Property. These are revalued on a rolling basis every five years using the code of practice of the Royal Institute of Chartered Surveyors.

Investments are stated at their market value at 31 March 2009.

Statement 13 – Statement on the System of Internal Financial Control

- 1. This statement is in respect of the Statement of Accounts of Dumfries & Galloway Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
- 2. The system of internal financial control can provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within an acceptable period of time.
- 3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a scheme of delegation and accountability. The system is maintained and developed by officers within the Council and includes:
 - comprehensive budgeting systems,
 - regular reviews of periodic financial reports that measure financial performance against forecasts,
 - targets against which financial and operational plans can be assessed,
 - preparation of regular financial reports which compare expenditure with plans and forecasts,
 - · clearly defined capital expenditure guidelines,
 - formal project management disciplines.
- 4. The Council's Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The Chief Internal Auditor reports to the Section 95 Officer and to the Audit and Risk Management Committee. The section undertakes an annual programme of work based on a risk assessment process which is revised on an ongoing basis to reflect evolving risks and changes within the Council. The Chief Internal Auditor has provided an assurance statement that includes his opinion on the adequacy and effectiveness of the system of internal financial control.
- 5. My review of the effectiveness of the system of internal financial control is informed by:
 - the work of Internal Audit as described above,
 - the work of professional accountancy staff within the Council,
 - the External Auditor's reports, including their report on the Annual Accounts,
 - my direct knowledge of the Council's financial systems, processes and reporting arrangements.
- 6. Having reviewed the framework it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal financial control systems. However the following matters are highlighted for improvement:
 - risk management and business continuity systems require to be further developed within the Council. The
 updating of the Council's risk register and the creation of service risk registers are areas which require to be
 focused on further during 09/10,
 - reconciliations of the bank accounts held by the Police need to be improved during 09/10 and this will be taken forward as a joint exercise between the Police and Financial Services staff,
 - due to operational issues when DGOne opened, income was not reconciled to the record of takings on a
 daily basis. Although procedures were put in place before the year end a full reconciliation of income for the
 facility has not been possible during 08/09. Processes have been improved to ensure that full
 reconciliations are completed on an ongoing basis.

Gordon Lawson Director of Support Services 25 June 2009

Independent Auditor's Report

Independent auditor's report to the members of Dumfries and Galloway Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Dumfries and Galloway Council for the year ended 31 March 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, the Council Tax Income Account, The Non Domestic Rate Income Account, the Pension Fund, the Trust Funds, the Common Good Funds, the Statement of Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Director of Support Services and auditor

The Director of Support Services' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the financial statements.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the local authority and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

I also report to you if, in my opinion, the local government body has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Director of Support Services in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the local authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Dumfries and Galloway Council as at 31 March 2009 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Failure to comply with a statutory requirement

It has not been necessary to qualify my opinion in respect of the following matter.

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2009 in respect of the following significant trading operations:

- Catering and Cleaning Service;
- Cleansing and Grounds Maintenance Service

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22 September 2009