

This Summary provides an overview of our financial position and the key issues that have arisen during the financial year. It provides information on revenue and capital income and expenditure for the year, assets and liabilities, borrowing and reserves with a comment on the future outlook.

The full set of annual accounts is available on our website at:

<http://www.argyll-bute.gov.uk/council-and-government/financial-statements>

During 2014-15 the council's net worth reduced by £13.9m. This resulted from a surplus in the provision of services of £4.6m offset by a deficit in Other Comprehensive Income and Expenditure of £18.5m. In terms of departmental expenditure this was under budget by £2.1m. The council spent £36.3m investing in fixed assets during the year.

The financial outlook for 2015-16 is one of relative financial stability. The council adopted a two-year budget for 2014-15 and 2015-16 in February 2014, based on achieving 1% cashable efficiency savings for each of these financial years.

Revenue expenditure—the day-to-day costs of delivering our services

Revenue expenditure includes the cost of employing staff, operating and maintaining buildings, the cost of goods and services purchased from suppliers and the cost of financing borrowing. Statutory adjustments are required to ensure the General Fund balance reflects statutory requirements in relation to pension costs and the cost of borrowing.

	Actual 14/15 £m	Budget 14/15 £m	Budget Variance £m	Actual 13/14 £m	Variance 13/14 £m	Actual Variance Year on Year £m
Net cost of services	239.4	240.8	1.4	233.7	10.2	5.7
Other operating income and expenditure	0.9	3.3	2.5	1.1	1.2	(0.2)
Finance and investment income and expenditure	20.8	(0.1)	(20.9)	22.0	(22.1)	(1.2)
Total expenditure	261.1	244.1	(17.0)	256.8	(10.7)	4.3
Taxation and non specific grants	(265.7)	(246.4)	19.2	(268.5)	3.2	(7.2)
(Surplus)/deficit on provision of services	-4.6	(2.4)	2.2	(1.7)	(7.5)	(2.9)
Statutory adjustments	2.6	7.1	4.6	3.8	5.5	(1.2)
(Increase)/decrease in General Fund Balance	(2.0)	4.8	6.8	2.1	(2.0)	(4.2)

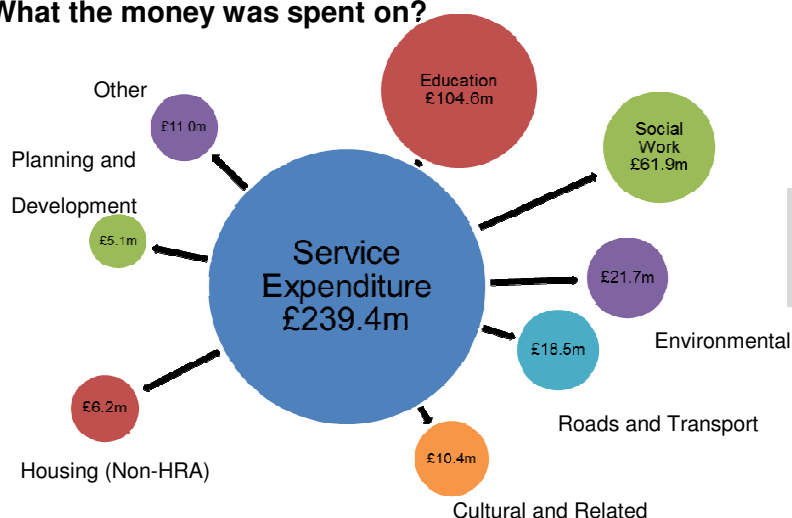
The net cost of service provision was £239.4m with total expenditure of £261.1m which was offset by taxation and non-specific grants totalling £265.7m. This left a surplus on the provision of service of £4.6m which after statutory adjustments of £2.6m resulted in an increase in the general fund balance of £2.0m.

Total expenditure increased by £4.3m from 2013-14. Expenditure on services increased by £5.7m. This was offset by an increase in interest and investment income of £1.2m.

The departmental controllable expenditure for 2014-15 was an underspend of £1.4m compared to budget excluding Joint Board requisitions and severance costs. When all expenditure and income is included the final outturn was an underspend compared to budget of £2.0m.

What the money was spent on—by service

What the money was spent on?



The total net cost of council services in 2014/15 was £239.4m.

- Education services is the largest proportion of net cost of service £104.6m (43.7%). This provides 73 primary schools, 5 secondary schools, 3 3-18 schools, 2 joint campuses – educating 10,565 pupils of which 5,770 primary and 4,775 secondary and 20 with special needs and employs 878 full time equivalent teachers.

Education—the largest proportion of net cost of service at £104.6m (43.7%)
- Social work services are next largest at £61.9m (25.9% of net cost of services). This provides services for 21 adult care residential units, 3 adult care day centres, 7 learning disability resource centres, 3 children's services residential units, 2 hostels, 123 looked after and accommodated children, 371 assigned learning disability cases, 520 older people clients in care homes and 1,284 adults receiving free personal and nursing care.

Social work—£61.9m (25.9% of net cost of services)
- Environmental Services spent £21.7m (9.1% of net cost of services). This provides services relating to 131 burial grounds undertaking an average of 675 burials per annum, 2,500,000m² of grass cutting, waste collection from 48,893 households and 33,148 tonnes of waste disposal.

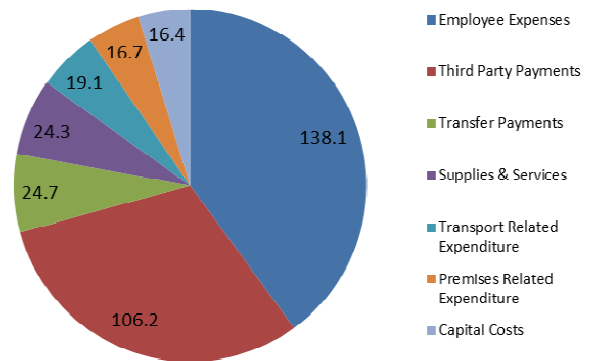
2,500,000m² of grass cutting, collecting waste from 48,893 homes and more—£21.7m (9.1% of net cost of services)
- Roads and Transportation services spent £18.5m (7.7% of net cost of services). This includes provision of 2,283km of roads, winter maintenance, 895 bridges and 126 car parks.

2,283km of roads, 895 bridges, maintenance—£18.5m (7.7%)
- Cultural and Related services represent £10.4m or 4.3%. This relates to services including one museum, seven halls, 13 libraries (four of which are mobile) with a stock of around 180,000 books and five sports and leisure centres.
- Housing Services (non-HRA) represent £6.2m or 2.6%. This relates to services including 148 leased tenancies for homeless individuals, 716 instances of housing support and advice per quarter.
- Planning and development services represent £5.1m or 2.1%. Services include 1,145 building warrants received in the year, 1,318 planning applications determined and 112 business start-ups supported in the year.
- Other services amount to £11m (4.5%) and this includes corporate and democratic core, trading services, non-distributable costs and central services to the public. This includes registrars of births, deaths and marriages which undertook 2,768 registrations including 448 civil marriages and 6 civil partnerships in 2014/15.

How the money was spent

This sets out the different types of costs incurred by the council. In addition to the net cost of services of £239.4m, income amounted to £106.1m resulting in gross expenditure of £345.5m. Employee expenses represent the largest proportion at £138.1m (40.0% of gross expenditure). The other significant cost is third party payments (payments to external parties such as contractors and voluntary organisations) - these represent £106.2m (30.7%). Other costs are all less significant - transfer payments £24.7m, supplies and services £24.3m, transport £19.1m, premises £16.7m and capital costs £16.4m which range from between 7.1% and 4.7% of gross expenditure.

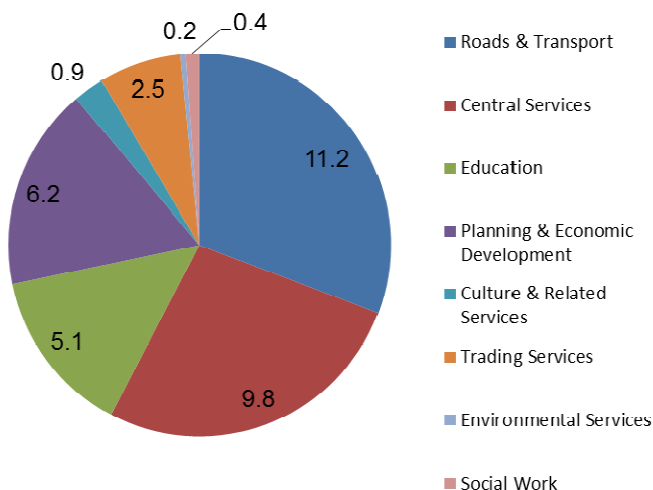
How the money was spent £'m



Capital expenditure—expenditure on council assets

This is money spent on acquiring or enhancing fixed assets such as land, buildings and equipment. Capital expenditure is funded from capital receipts, grants, revenue contributions. The net amount of capital expenditure each year is funded by borrowing.

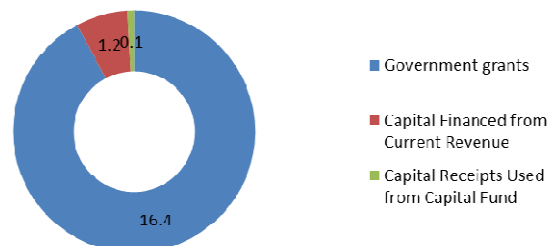
Actual Capital Expenditure 2014/15 by Service £'m



Gross capital expenditure was £36.3m. £11.2m related to roads and transportation, £9.8m to central services, £6.2m to planning and economic development, £5.1m to education services, £2.5m to trading services and the remaining £1.5m to culture & related, environmental and social work services.

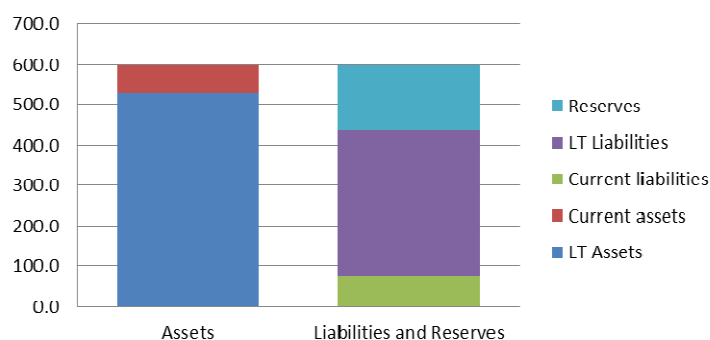
£16.4m of the £17.7m capital funding is from government grants, this represents 92.2% of the total funding. The remaining funding is from capital financed from current revenue £1.2m or 7.0% and capital receipts used from capital fund £0.1m or 0.8%.

Sources of Funding 2014/2015 £'m



Balance Sheet—our assets and liabilities

Assets and Liabilities £'m



The balance sheet shows the value at the balance sheet date of the assets and liabilities recognised by the council.

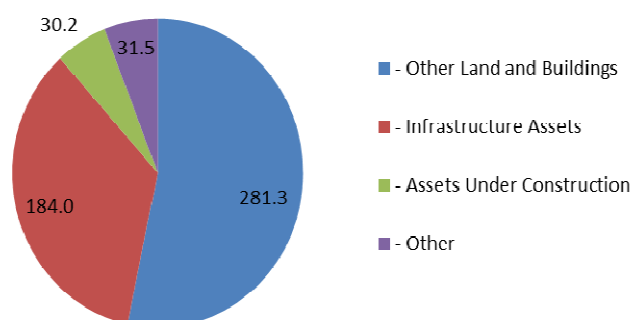
Net assets (assets less liabilities) are matched by the reserves held by the council.

The net assets of the council reduced by £13.8m from £174.8m at 31 March 2014 to £161.0 at 31 March 2015.

Summary of Balance Sheet	31 March 2014 £'m	31 March 2015 £'m
Long term assets - Property, plant and equipment, heritage assets and long term debtors. The increase is a result of revaluation, capital expenditure less disposal and depreciation	514.5	527.1
Current assets - Stock, short term debtors, assets held for sale, short term investments and cash. The decrease is a result of a lower level of cash in the bank at 31 March 2014.	57.7	71.1
Current liabilities - Short term borrowing, creditors, provisions and other short term liabilities. The increase is mainly due to some borrowing now being payable within 12 months.	-48.7	-72.7
Long term liabilities - Not due for payment for at least 12 months and comprise borrowing, payments due under the NPDO, provisions and pensions liability. The increase is mainly due to an increase in pension liability.	-348.6	-364.5
Total reserves	174.8	161.0

Long-term assets

Value of Long Term Asset By Type £'m



The value of the council's long term assets has increased from £514.5m at 31 March 2014 to £527.1m at 31 March 2015, an increase of £12.6m (2.44%).

This comprises the net of an overall upward revaluation of fixed assets, capital expenditure in the year, less the value of fixed assets disposed.

Long-term assets

The main long term assets held by the council are land and buildings which account for £281.3m (53.4%).

Infrastructure assets account for £184.0m (34.9%).

Assets under construction amount to £30.2m (5.8%).

Other assets include vehicles, plant, equipment, investment property, surplus assets, long term debtors, community assets, heritage assets and software licences. These account for the remaining £31.5m (6.0%).

Argyll and Bute Council's long-term assets include:

- **83 schools**
- **2,283 km of roads**
- **895 bridges**
- **9 libraries**
- **7 halls**
- **4 swimming pools**

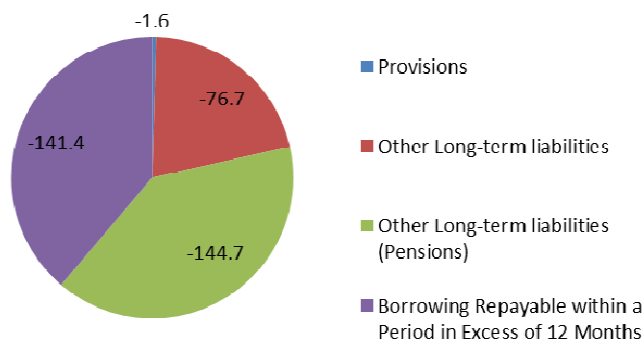
Current assets and liabilities

Total current assets have increased from £57.7m at 31 March 2014 to £71.1m at 31 March 2015 - an increase of £13.4m. The main reason for this is an increase in cash and cash equivalents of £17.8m from £6.1m at 31 March 2014 to £23.9m at 31 March 2015.

Total current liabilities have increased from £48.7m at 31 March 2014 to £72.7m at 31 March 2015—an increase of £24.0m. Short term borrowing has increased by £22.3m from £11.4m at 31 March 2014 to £33.7m at 31 March 2015.

Overall, long term liabilities have increased from £348.6m at 31 March 2014 to £364.5m at 31 March 2015. The increase of £15.9m is primarily due to the increase in the valuation of the pension scheme liability from £118.3m to £144.7m partly offset by a reduction in borrowing repayable beyond 12 months of £10.1m.

Type and Value of Long-Term Liabilities £'m



The main long term liabilities are pensions liability £144.7m (39.7%), borrowing that is due to be repaid in over a year £141.4m (38.8%), other long term liabilities, which include schools NPDO and land contamination amount to £76.7m (21.1%) and provisions make up the final £1.6m.

Treasury management—taking care of our borrowing and investments

Treasury management is taking care of our borrowing, cash flow and investments. We have to make sure that these bring the best possible returns so that the council can continue to deliver its essential services, while at the same time managing and planning for any risks.

The Capital Financing Requirement (CFR) is the amount of money that the council needs to borrow to finance the assets it uses to deliver services.

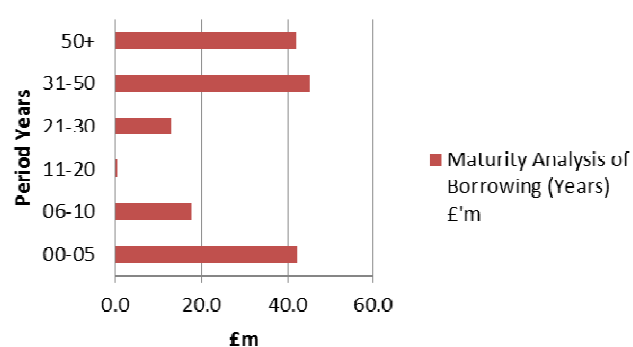
	31 March 2015	31 March 2014
	£m	£m
Capital Finance Requirement	257.6	256.5
Borrowing incl NPDO	-251.2	-240.8
Over (Under Borrowed)	-6.3	-15.7

The table above sets out a comparison of the CFR with the council's actual borrowing which shows that the council was under-borrowed at both 31 March 2014 and 2015. This has occurred because the council is using part of its reserves to fund capital expenditure. This use of reserves has had the impact of reducing the cash the council has had to invest; this was a strategic decision as the rates of return on investments are lower than the interest rate that the council would have to pay if it borrowed money.

Borrowing

The council borrows money to finance capital expenditure. Borrowing allows us to spread the cost of capital expenditure over a number of years. The maturity profile reflects when loans are due for repayment. At 31st March 2015, the total sum of money borrowed from external sources was £173.4m. Most of this was financed by the Public Works Loan Board (£100.2m) with the rest coming mainly from the money market.

**Maturity Analysis of Borrowing
(Years) £'m**



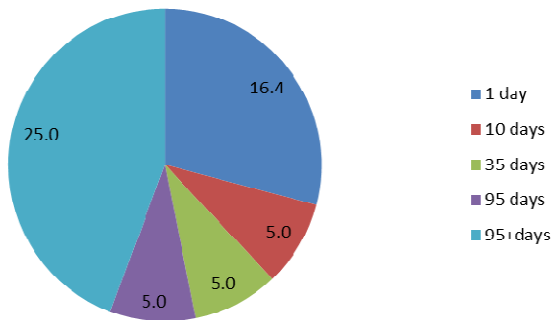
Find our full accounts online at

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Investments

Investments by Maturity Period £m



Our investment strategy is designed to optimise the rate of return allowing for the requirements to have cash available to make payments and to ensure that the money invested is repaid to the council in full.

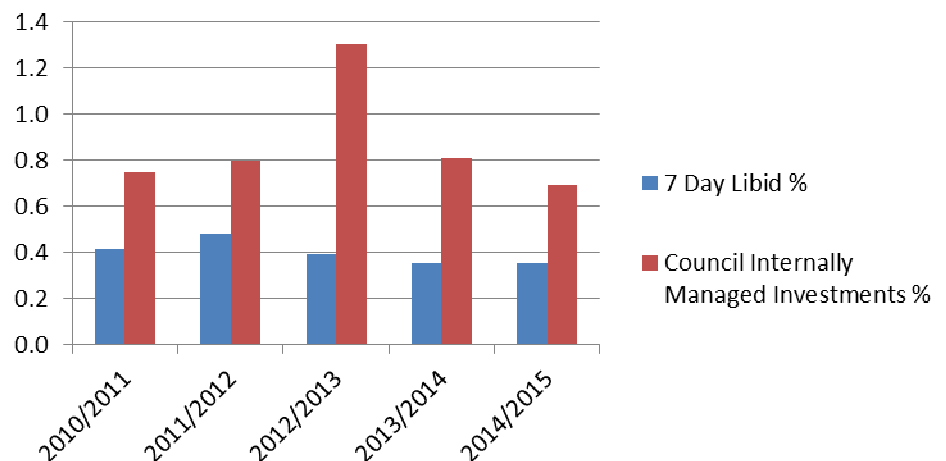
To achieve these objectives the council places cash with a number of different banks for periods ranging from overnight to one year, depending on the credit rating of the bank and the limits that have been set within the investment strategy relating to each institution.

At 31 March 2015 the council had investments of £56.4m. The chart above shows when these are due for repayment.

The chart on the right shows the trend in average interest rates over the last five years.

The trend has been one of increasing returns due to the availability of attractive rates of interest from the banks these rates have declined since 2013-2014.

Average interest rates 2010-2015



Reserves

Reserves can be usable or unusable:

Usable reserves:

- Backed by actual resources
- Can be applied to fund expenditure or reduce local taxation

Unusable reserves:

- Required purely for accounting purposes
- Do not represent resources available for the council to use

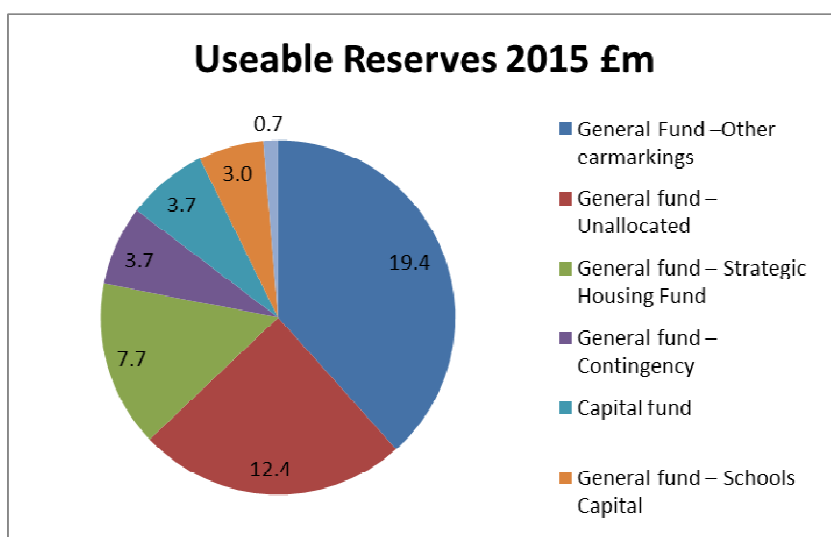
Reserves

The council has total reserves of £161.0m, but most of these (£110.5) are unusable reserves which are purely for accounting purposes and do not represent resources available for use. Usable reserves were £50.5 at 31st March 2015.

	31 March 2014	31 March 2015
	£m	£m
Unusable reserves	126.3	110.5
Capital fund	3.5	3.7
Renewal and repairs fund	1.0	0.7
General fund – Contingency	3.7	3.7
General fund – Strategic Housing Fund	7.5	7.7
General fund – Schools Capital	3.0	3.0
General Fund –Other earmarkings	19.9	19.4
General fund – Unallocated	10.0	12.4
Total reserves	174.8	161.0

Unusable reserves have decreased by £15.8m from £126.3m at 31 March 2014 to £110.5m at 31 March 2015 due to an increase in the pension liability, a surplus on revaluation reserve and a transfer for capital grants.

Useable reserves have increased by £2.0m from £48.5m at 31 March 2014 to £50.5m at 31 March 2015.



The main movements in useable reserves are as follows:

- Strategic housing fund has increased by £0.2m
- Earmarkings have decreased by £0.5m
- Unallocated reserves have increased by £2.4m

Future outlook

The financial outlook for 2015-16 is one of relative financial stability, the future beyond that is more challenging. The council adopted a two-year budget for 2014-15 and 2015-16 in February 2014. This was to allow budgetary savings based on achieving 1% cashable efficiency savings for each of these financial years. 2015-16 will be a year of more intensive planning to review the resources available to the Council and how they are used to deliver on priorities and objectives over a very challenging medium term

The three-year capital plan has been agreed by the council for the periods to 2017-18, with a capital expenditure of £41.4m in 2015-16, £25.5m in 2016-17 and £51.1m in 2017-18.

