

This provides a summary of some of the key issues from the 2016-17 Annual Accounts. It provides information on the Comprehensive Income and Expenditure Statement, the Balance Sheet, Reserves, Cash Flow Statement and also provides a comment on plans for the future.

Comprehensive Income and Expenditure Statement

The comprehensive income and expenditure statement shows the accounting cost of providing services rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

	Actual 2016-17 £m	Actual 2015-16 £m	Actual Variance Year on Year £m
Net cost of services	239.6	263.1	(23.5)
Other operating income and expenditure	1.6	1.7	(0.1)
Finance and investment income and expenditure	15.9	19.2	(3.3)
Total expenditure	257.1	284.0	(26.9)
Taxation and non specific grants			
General Government Grants	(166.3)	(176.5)	10.2
Government Capital Grants and other capital contributions	(11.4)	(16.9)	5.5
Non Domestic Rates Redistribution	(30.4)	(27.8)	(2.6)
Council Tax Income	(44.1)	(43.4)	(0.7)
(Surplus)/deficit on provision of services	5.0	19.4	(14.4)

The net cost of service provision for 2016-17 was £239.6m with total expenditure of £257.1m which was offset by taxation and non-specific grants totalling £252.1m. This left a deficit on the provision of service of £5.0m.

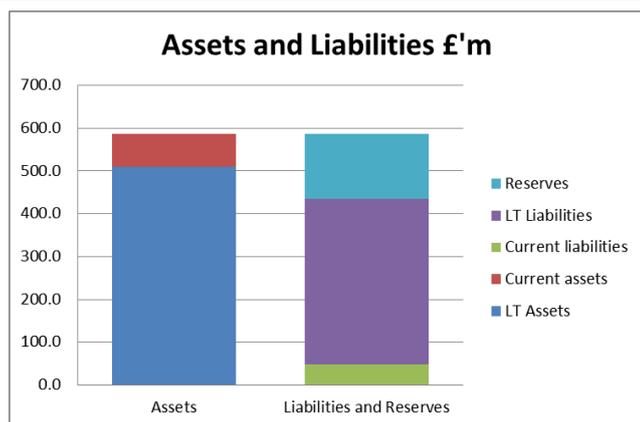
Total expenditure decreased by £26.9m from 2015-16. Expenditure on services decreased by £23.5m and other operating income and expenditure decreased by £0.1m. There was a decrease in interest and investment income of £3.3m.

Reconciliation of Comprehensive Income and Expenditure Statement to Budgetary Outturn

	£'m	£'m
Deficit on Provision of Services		5.0
Remove statutory adjustments that don't feature in budget outturn:		
Depreciation	(23.3)	
Impairments of Asset charged to services	(2.0)	
Capital Funding	11.4	
Pension Adjustment	(6.9)	
Statutory Repayment of Debt	14.0	
Transfers to/from Other Statutory Reserves	0.3	
Other Adjustments	0.5	
		(6.1)
Movement In General Fund Balance		(1.1)
Adjust for earmarkings:		
Released sums earmarked to service budgets 2016-17	(8.6)	
Supplementary estimates agreed during 2016-17	(0.1)	
2016-17 budget rounding surplus paid back to General Fund	0.0	
Contributions to earmarked reserves 2016-17	6.9	
		(1.8)
Revenue Budget Outturn - Surplus		(2.9)

The table sets out a reconciliation of the (Surplus)/Deficit on the provision of the services noted within the Comprehensive Income and Expenditure Statement to the revenue budget underspend for 2016-17 of £2.9m.

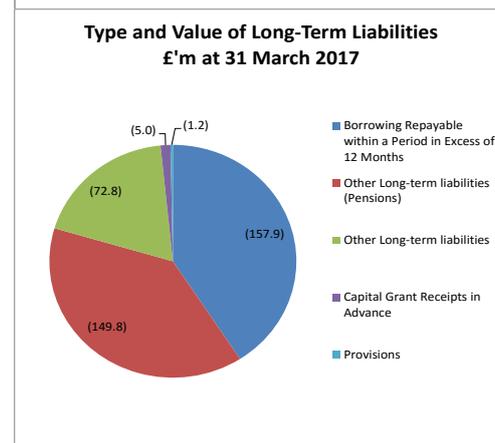
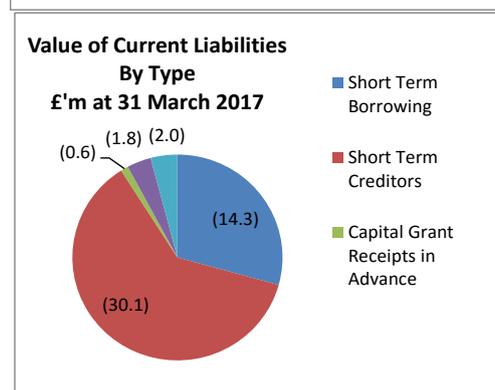
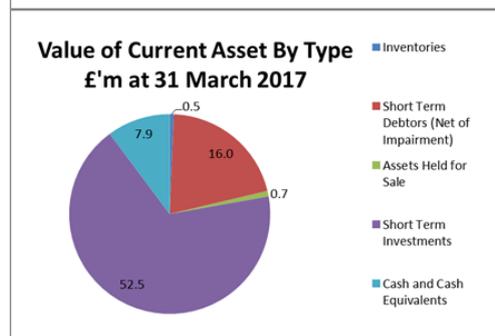
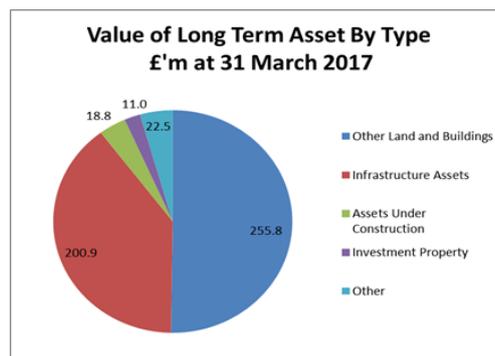
Balance Sheet—our assets and liabilities



The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2017. Net assets (assets less liabilities) are matched by the reserves held by the council.

The net assets of the council decreased by £52.1m from £203.3m at 31 March 2016 to £151.2m at 31 March 2017.

Summary of Balance Sheet	31 March 2017 £'m
<p>Long term assets -includes property, plant and equipment as well as other intangible assets. There has been an increase of £3.1m from £506.1m at 31 March 2016. The main reason for the increase is due to an increase in investment property</p>	509.2
<p>Current assets - includes stock, short term debtors, assets held for sale, short term investments and cash. There has been a increase of £13.6m from £64.0m at 31 March 2016 mainly as a result of higher level of short term investments held.</p>	77.6
<p>Current liabilities -includes short term borrowing, creditors, provisions and other short term liabilities. There has been a decrease of £6.0m from £54.8m at 31 March 2016 mainly as a result of repayment of external debt which had a life of less than one year.</p>	(48.8)
<p>Long term liabilities - Not due for payment for at least 12 months and comprise borrowing, payments due under the NPDO, provisions and pensions liability. There has been a increase of £74.8m from £312.0 at 31 March 2016 mainly as a result of pension liability.</p>	(386.8)
Total reserves	151.2



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:

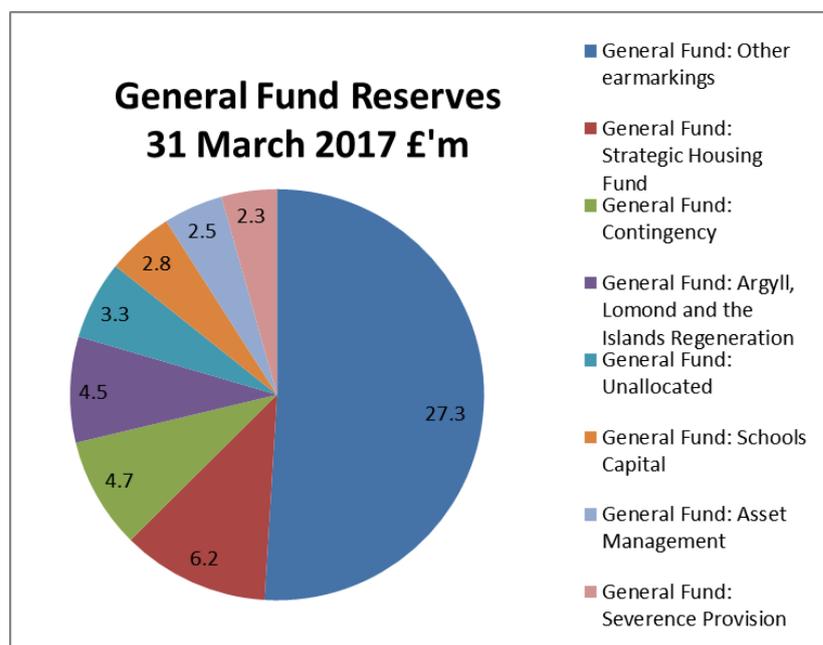
- Required purely for accounting purposes
- Do not represent resources available for the council to use

The council has total reserves of £151.2m, but most of these (£92.8m) are unusable reserves which are purely for accounting purposes and do not represent resources available for use. The usable reserves were £58.4m at 31 March 2017, the main element being the General Fund Balance of £53.5m.

	31 March 2017 £'m	31 March 2016 £m
Unusable reserves	92.8	146.2
Useable reserves		
Capital fund	4.1	4.0
Renewal and repairs fund	0.9	0.7
General Fund: Other earmarkings	27.3	23.4
General Fund: Strategic Housing Fund	6.2	6.6
General Fund: Contingency	4.7	4.7
General Fund: Argyll, Lomond and the Islands Regeneration	4.5	4.5
General Fund: Unallocated	3.3	4.4
General Fund: Schools Capital	2.8	2.8
General Fund: Asset Management	2.5	2.5
General Fund: Severence Provision	2.3	3.5
Total reserves	151.2	203.3

Unusable reserves have decreased by £53.4m from £146.2m at 31 March 2016 to £92.8m at 31 March 2017 mainly due to an increase in the pension fund reserve which matches the pension liability.

Useable reserves have increased by £1.3m from £57.1 at 31 March 2016 to £58.4m at 31 March 2017, mainly due to an increase to the General Fund Balance of £1.1m in addition to small increases in the Capital Fund and the Repairs and Renewals Fund.



Cashflow

The cashflow statement shows the changes in cash and cash equivalents of the Council during the financial year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating , investing and financing activities.

	31 March 2017	31 March 2016	Movement	
	£'m	£'m	£'m	
Net Cashflows from Operating Activities	(10.7)	(11.8)	(1.1)	Expenditure being funded from taxation and grant income has increased by £1.7m
Investing Activities	18.9	9.8	(9.1)	Cash outflows for investments have increased by £9.1m
Financing Activities	(8.2)	17.9	26.1	Cash outflow of £17.9m in 2015-16 and cash inflow of £8.2m in 2016-17 - replacement of short and long term borrowing during the year

Operating Activities is an indicator of the extent to which operations are funded by way of taxation and grant income or from the recipients of services provided.

Investing Activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Financing Activities cashflows are useful for predicting claims on future cash flows by providers of capital (i.e. borrowing).

Plans for the Future

The Council agreed a number of service choices savings as part of the 2016-17 budget within some of the service choices savings being deliverable from 2017-18 or beyond. This budget created a solid foundation to work from and for the 2017-18 budget most of the savings required to balance the budget had already been agreed in February 2016. Efficiency savings for 2017-18 were also agreed in October 2016, in advance of the budget setting and this also reduced the budget gap. Despite only receiving a one year settlement for Scottish Government, the Council agreed a revenue budget for 2017-18 and two year indicative budgets for 2018-19 and 2019-20. The Council also agreed updates to the capital plan covering the period to 2019-20.

The Council has recognised the need to develop a medium to longer term financial strategy which will set out a plan to demonstrate how the council will respond to the demands and pressures whilst ensuring that there is a sustainable council that meets the needs of its communities and one that can take advantage of opportunities that arise. At the budget meeting in February 2017, the Council agreed a set of principles that support the longer term sustainability of the Council and the financial strategy will be developed during 2017.

In November 2016, the Council approved the business case for the creation of a Charitable Trust to deliver leisure and library services in Argyll and Bute and it is anticipated that the Leisure Trust will be operational from October 2017. The Council is committed to driving forward change through transformation and innovation and a Transformation Board has now been established to take forward further transformational change. Their main focus is delivering change to improve service delivery and to help balance the budget in 2018-19 and beyond and they have a number of work streams that are being taken forward.

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

http://www.argyll-bute.gov.uk/sites/default/files/unaudited_annual_accounts_2016-2017.pdf

The Council also produces an Annual Report which provides residents with further detail on how the money has been spent. The Annual Report for 2016-17 will be produced later this year, however, the 2015-16 Annual Report is available on the following web-link:

https://www.argyll-bute.gov.uk/sites/default/files/council_annual_report_2015-16_-_final_2.pdf

