

This provides a summary of some of the key issues from the 2017-18 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 2017-18	Actual 2016-17	Actual Variance Year on Year
	£m	£m	£m
Net cost of services	249.4	239.4	10.0
Other operating income and expenditure	5.0	1.6	3.4
Finance and investment income and expenditure	19.1	15.9	3.2
Total expenditure	273.4	256.8	16.6
Taxation and non specific grants			
General Government Grants	(162.8)	(166.3)	3.5
Government Capital Grants and other capital contributions	(17.2)	(11.4)	(5.9)
Non Domestic Rates Redistribution	(29.8)	(30.5)	0.7
Council Tax Income	(48.1)	(44.1)	(4.0)
(Surplus)/deficit on provision of services	15.4	4.6	10.8

The net cost of service provision for 2017-18 was £249.4m with total expenditure of £273.4m which was offset by taxation and non-specific grants totalling £258.0m. This left a deficit on the provision of service of £15.4m.

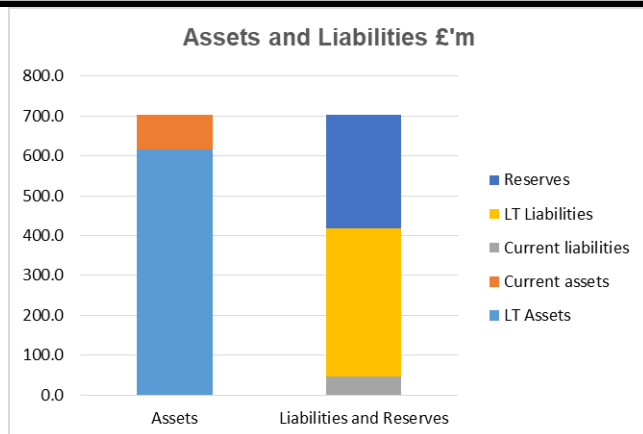
Total expenditure decreased by £16.6m from 2016-17. Expenditure on services increased by £10.0m, other operating income and expenditure increased by £3.4m and there was also an increase in interest and investment income of £3.2m.

Reconciliation of Comprehensive Income and Expenditure Statement to Budgetary Outturn

	£'m	£'m
Deficit on Provision of Services		15.4
Remove statutory adjustments that don't feature in budget outturn:		
Depreciation	(21.4)	
Impairments of Asset charged to services	(7.6)	
Capital Funding	17.2	
CFCR	4.1	
Pension Adjustment	(14.8)	
Statutory Repayment of Debt	10.4	
Repayment of Finance Leases	2.0	
Transfers to/from Other Statutory Reserves	0.6	
Other Adjustments	(2.9)	
		(12.3)
Movement In General Fund Balance		3.2
Adjust for earmarkings:		
Released sums earmarked to service budgets 2017-18	(10.6)	
Supplementary estimates agreed during 2017-18	(0.1)	
Budgeted Surplus in 2017-18 transferred to General Fund	0.2	
Contributions to earmarked reserves 2017-18	4.8	
		(5.7)
Revenue Budget Outturn - Surplus		(2.6)

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 2017-18 of £2.6m.

Balance Sheet—our assets and liabilities

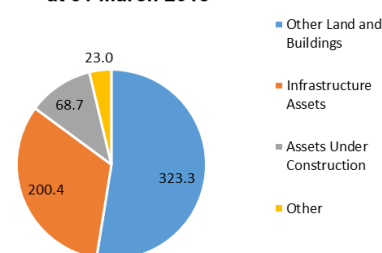


The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2018. Net assets (assets less liabilities) are matched by the reserves held by the council.

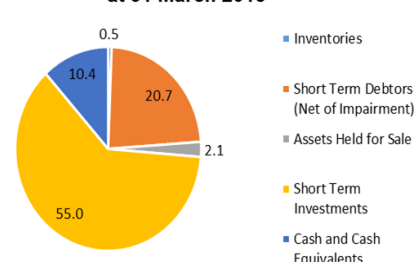
The net assets of the council increased by £133.6m from £151.5m at 31 March 2017 to £285.2m at 31 March 2018.

Summary of Balance Sheet	31 March
Long term assets -includes property, plant and equipment as well as other intangible assets. There has been an increase of £106.4m from £509.1m at 31 March 2017. The main reason for the increase is in relation to the valuation of the four new schools, Campbeltown, Oban, Kirm and Dunoon refurbishment.	615.5
Current assets - includes stock, short term debtors, assets held for sale, short term investments and cash. There has been a increase of £11.1m from £77.6m at 31 March 2017 this relates to a small increase in short term investments, cash held and debtors at the end of the year.	88.7
Current liabilities -includes short term borrowing, creditors, provisions and other short term liabilities. There has been a decrease of £1.4m from £48.5m at 31 March 2017 mainly as a result of repayment of external debt which had a life of less than one year.	(47.1)
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 decrease of £14.8m from £386.8 at 31 March 2017 mainly as a result of a reduction in pension liability offset by the finance lease liabilities for the new schools under the DBFM model.	(372.0)
Total reserves	285.2

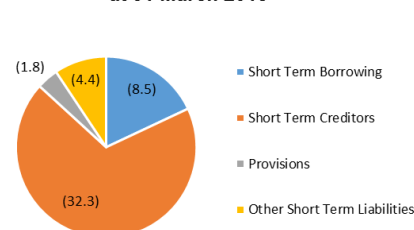
Value of Long Term Asset By Type £'m at 31 March 2018



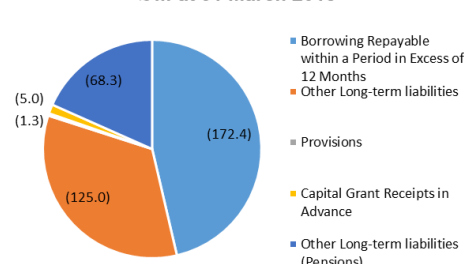
Value of Current Asset By Type £'m at 31 March 2018



Value of Current Liabilities By Type £'m at 31 March 2018



Value of Long Term Liabilities By Type £'m at 31 March 2018



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:

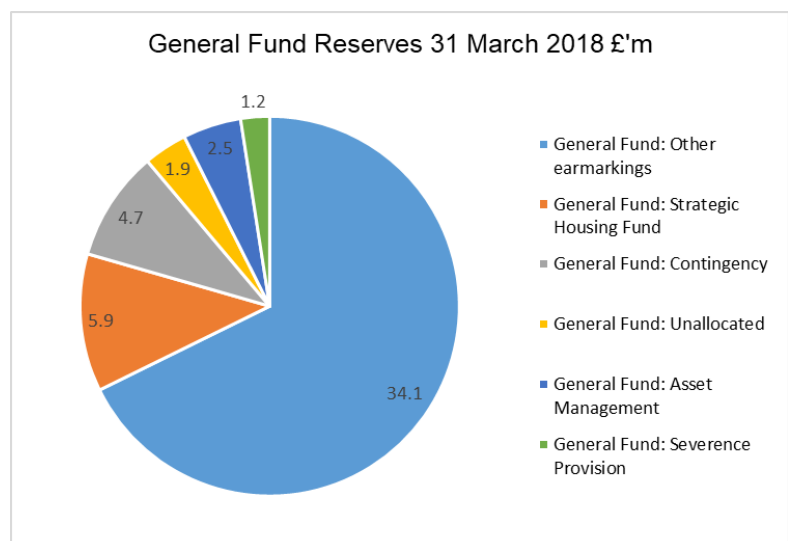
- Required purely for accounting purposes
- Do not represent resources available for the council to use

The council has total reserves of £285.2m, but most of these (£229.1m) are unusable reserves which are purely for accounting purposes and do not represent resources available for use. The usable reserves were £56.2m at 31 March 2018, the main element being the General Fund Balance of £50.3m.

	31 March 2018	31 March 2017
	£'m	£'m
Unusable reserves	229.1	93.1
Useable reserves		
Capital fund	4.3	4.1
Renewal and repairs fund	1.5	0.9
General Fund: Other earmarkings	34.1	31.7
General Fund: Strategic Housing Fund	5.9	6.2
General Fund: Contingency	4.7	4.7
General Fund: Unallocated	1.9	3.3
General Fund: Schools Capital	-	2.8
General Fund: Asset Management	2.5	2.5
General Fund: Severance Provision	1.2	2.3
Total reserves	285.2	151.6

Unusable reserves have increased by £135.9 from £93.1 at 31 March 2017 to £229.1m at 31 March 2018 mainly due to an increase in the revaluation reserves and a decrease in the pension fund reserve which matches the pension liability.

Useable reserves have decreased by £2.3m from £58.4 at 31 March 2017 to £56.1m at 31 March 2018, mainly due to a decrease in the General Fund Balance of £3.2m 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 2018	31 March 2017	Movement	
	£'m	£'m	£'m	
Net Cashflows from Operating Activities	(9.2)	(10.7)	(1.4)	Expenditure being funded from taxation and grant income has increased by £1.4m
Investing Activities	11.4	18.9	7.5	Cash outflows for investments have decreased by £7.5m
Financing Activities	(4.8)	(8.2)	(3.4)	Cash inflows for investments have decreased by £3.4m

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

A three year financial outlook was/is regularly presented to Members and in view of estimated future savings requirements, a Transformation Board was established to take forward further transformational change. As part of the 2018-19 budget front line services were asked to consider savings via four operating principals: business cost reduction, income maximisation, service redesign and self-funding. A number of efficiency savings were identified and presented to Council on 26 October 2017 in addition to options with policy implications that were subject to public and Trade Union consultation. The savings options agreed in February 2018 increase in value across 2018-19 to 2020-21 and therefore contributes to the financial challenges facing the Council in the future. The budget strategy for 2019-20 and beyond is based on the work of the Transformation Board.

Argyll and Bute Council and key stakeholders are in the process of negotiating a Rural Growth Deal with the Scottish and UK Governments which will follow similar principles to the City Deals either agreed or in development for other Local Authority areas in Scotland. The focus of the deal has to be delivering innovative and inclusive economic growth for Argyll and Bute. A draft vision, key themes and potential projects have been developed/identified which we believe support economic transformation. The emerging overarching vision of the Rural Growth Deal is "Argyll, the natural place to live, learn, visit and do business".

The Transformation Board, chaired by the Executive Director of Customer Services with membership of a number of senior managers across the Council as well as Trade Union representation, identified a number of areas which they would be exploring for future years and this was reported to Council in February 2018. These include a reconstructing the Council budget exercise, looking at duties and powers, review of fleet management, review of procurement, amongst others.

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

<http://www.argyll-bute.gov.uk/>

The Council also produces an Annual Report which provides residents with further detail on how the money has been spent. The Annual Report for 2017-18 will be produced later this year, however, the 2016-17 Annual Report is available on the following web-link:

https://www.argyll-bute.gov.uk/sites/default/files/annual_report_201617_final_designed_version.pdf

