



Financial summary — 2013/14

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/sites/default/files/audited_financial_statements_2013-14.pdf

During 2013-14 the council's net worth reduced by £5.9m. This resulted from a surplus in the provision of services of £1.7m and surplus on the revaluation of long term assets of £4.4m, partly offset by an actuarial loss on the pension fund assets/liabilities of £12.0m. In terms of departmental expenditure this was under budget by £0.8m. The council spent £32.7m investing in fixed assets during the year.

The financial outlook for 2014-15 and 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 13/14	Budget 13/14	Budget Variance	Actual 12/13	Variance 12/13	Actual Variance Year on Year
	£m	£m	£m	£m	£m	£m
Net cost of services	233.7	243.9	10.2	231.5	7.7	2.2
Other operating income and expenditure	1.1	2.2	1.2	3.0	(2.2)	(1.9)
Finance and investment income and expenditure	22.0	(0.0)	(22.1)	19.9	(16.6)	2.1
Total expenditure	256.8	246.0	(10.7)	254.4	(11.1)	2.4
Taxation and non specific grants	(258.5)	(255.3)	3.2	(274.2)	3.4	15.7
(Surplus)/deficit on provision of services	(1.7)	(9.3)	(7.6)	(19.8)	(7.7)	18.1
Statutory adjustments	3.8	9.3	5.5	8.2	(2.3)	(4.4)
(Increase)/decrease in General Fund Balance	2.1	0.1	(2.0)	(11.6)	(9.9)	13.7

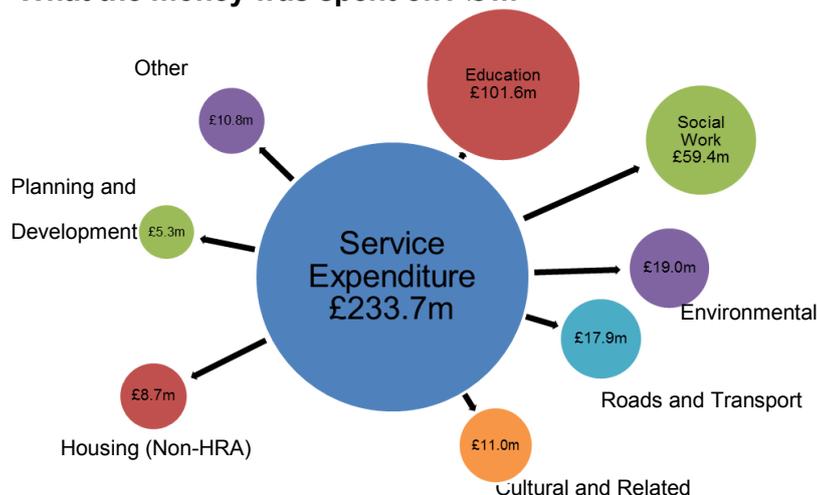
The net cost of service provision was £233.7m with total expenditure of £256.8m which was offset by taxation and non-specific grants totalling £258.5m. This left a surplus on the provision of service of £1.7m which after statutory adjustments of £3.8m resulted in a decrease in the general fund balance of £2.1m.

Total expenditure increased by £2.4m from 2012-13. Expenditure on services increased by £14.0m. This was offset by a reduction in police and fire service costs of £11.9m following the transfer of these from local government in April 2013.

The departmental controllable expenditure for 2013-14 was an underspend of £0.8m 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 £3.4m.

What the money was spent on—by service

What the money was spent on? £'m



The total net cost of council services in 2013/14 was £233.7m.

Education—the largest proportion of net cost of service at £101.6m (43.5%)

Education services is the largest proportion of net cost of service £101.6m (43.5%). This provides 73 primary schools, 5 secondary schools, 3 3-18 schools, 2 joint campuses – educates 10,675 pupils of which 5,680 primary and 4,979 secondary and 16 special needs and employs 868 full time equivalent teachers.

Social work services are next largest at £59.4m (25.4% of net cost of services). This provides services for 24 adult care residential units, 3 adult care day centres, 7 learning disability resource centres, 3 children's services residential units, 2 hostels, 134 looked after and accommodated children, 355 learning disability clients, 513 clients in care homes and 1,248 adults receiving free personal and nursing care.

Social work—£59.4m (25.4% of net cost of services)

2,500,000m² of grass cutting, collecting waste from 47,800 homes and more—£19.0m (8.1% of net cost of services)

Environmental Services spent £19.0m (8.1% of net cost of services). This provides services relating to 131 burial grounds undertaking an average of 565 burials per annum, 2,500,000m² of grass cutting, waste collection from 47,800 households and 19,570 tonnes of waste disposal.

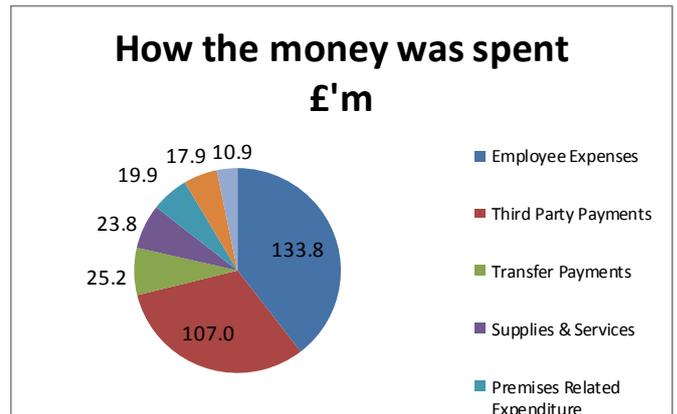
1,406 miles of roads, 954 bridges, maintenance—£17.9m (7.7%)

Roads and Transportation services spent £17.9m (7.7% of net cost of services). This includes provision of 1,406 miles of roads, winter maintenance, 954 bridges and 138 car parks.

- Cultural and Related services represent £11.0m or 4.7%. This relates to services including one museum, seven halls, 13 libraries (four of which are mobile) with a stock of around 200,000 books and five sports and leisure centres.
- Housing Services (non-HRA) represent £8.7m or 3.7%. This relates to services including 147 leased tenancies for homeless individuals, 600 instances of housing support and advice per quarter.
- Planning and development services represent £5.3m or 2.3%. Services include 1,260 building warrants received in the year, 1,098 planning applications determined and 101 business start-ups supported in the year.
- Other services amount to £10.8m (4.6%) 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 2,680 registrations including 465 civil marriages and 13 civil partnerships in 2013/2014.

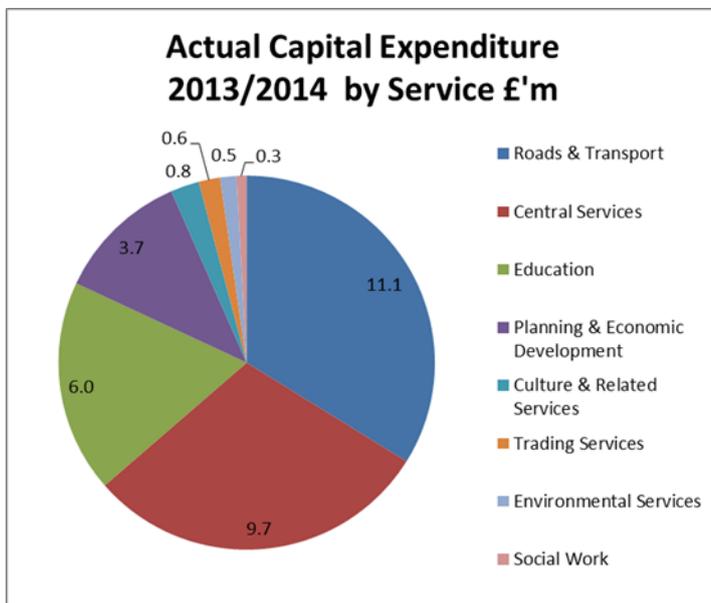
How the money was spent

This sets out the different types of costs incurred by the council. In addition to the net cost of services of £233.7m income amounted to £104.8m resulting in gross expenditure of £338.5m. Employee expenses represent the largest proportion at £133.8m (39.5% of gross expenditure). The other significant cost is third party payments (payments to external parties such as contractors and voluntary organisations) - these represent £107.0m (31.6%). Other costs are all less significant - transfer payments £25.2m, supplies and services £23.8m, premises £19.9m, transport £17.9m and capital costs £10.9m which range from between 7% and 3% of gross expenditure.



Capital expenditure—expenditure on council assets

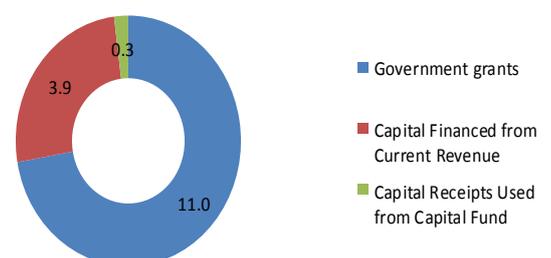
This is money spent on acquiring or enhancing fixed assets such as land, buildings and equipment. Capital expenditure is funded from capital receipts, grants, revenue contributions. The net amount of capital expenditure each year is funded by borrowing. The table below shows the gross capital expenditure for 2012/2013 and 2013/2014 and the funding from capital receipts, government grants and other contributions and revenue contributions. The net capital expenditure (expenditure less income) is funded from borrowing.



Gross capital expenditure was £32.7m. £11.1m related to roads and transportation, £9.7m to central services, £6.0m to education services, £3.7m to planning and economic development and the remaining £2.2m to culture & related, trading, environmental and social work services.

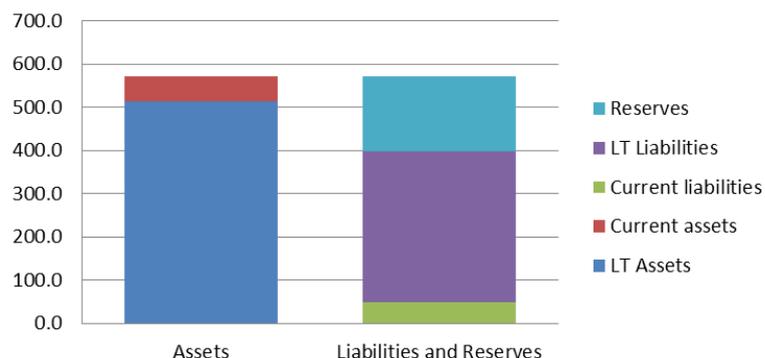
£11.0m of the £15.2m capital funding is from government grants, this represents 72.3% of the total funding. The remaining funding is from capital financed from current revenue £3.9m or 25.7% and capital receipts used from capital fund £0.3m or 2.0%.

Sources of Funding 2013/2014 £'m



Balance Sheet—our assets and liabilities

Assets and Liabilities £'m



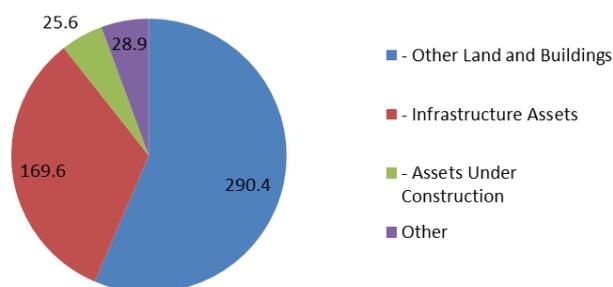
The balance sheet shows the value at the balance sheet date of the assets and liabilities recognised by the council. Net assets (assets less liabilities) are matched by the reserves held by the council.

The net assets of the council reduced by £5.9m from £180.7m at 31 March 2013 to £174.8m at 31 March 2014.

Summary of Balance Sheet	31 March 2013 £'m	31 March 2014 £'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	500.4	514.5
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.	63.7	57.7
Current liabilities - Short term borrowing, creditors, provisions and other short term liabilities. The increase is a mainly due to some borrowing now being payable within 12 months.	-42.9	-48.7
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.	-340.4	-348.6
Total reserves	180.7	174.8

Long-term assets

Value of Long Term Asset By Type £'m



The value of the council's long term assets has increased from £500.4m at 31 March 2013 to £514.5m at 31 March 2014, an increase of £14.1m (2.8%). 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 £290.4m (56.4%).

Infrastructure assets account for £169.6m (33.0%).

Assets under construction amount to £25.6m (5.0%).

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 £28.9m (5.6%).

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

- **89 schools**
- **2,312 km of roads**
- **1,001 bridges**
- **9 libraries**
- **7 halls**
- **4 swimming pools**

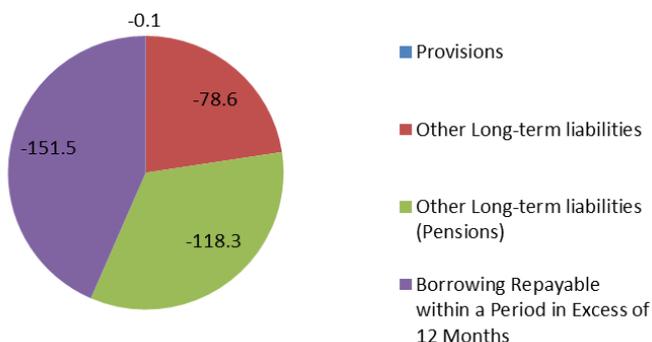
Current assets and liabilities

Total current assets have decreased from £63.7m at 31 March 2013 to £57.7m at 31 March 2014 - a decrease of £6.0m. The main reason for this is a decrease in cash and cash equivalents of £5.8m from £11.9m at 31 March 2013 to £6.1m at 31 March 2014.

Total current liabilities have increased from £42.9m at 31 March 2013 to £48.7m at 31 March 2014—an increase of £5.8m. Short term borrowing has increased by £7.7m from £3.7m at 31 March 2013 to £11.4m at 31 March 2014, partly offset by short term creditors which have decreased by £2.3m from £35.3m to £33.0m.

Overall, long term liabilities have increased from £340.4m at 31 March 2013 to £348.6 at 31 March 2014. The increase of £8.2m is primarily due to the increase in the valuation of the pension scheme liability from £99.9m to £118.3m partly offset by a reduction in borrowing repayable beyond 12 months of £8.4m.

Type and Value of Long-Term Liabilities £'m



The main long term liabilities are borrowing that is due to be repaid in over a year £151.5m (43.5%), pensions liability £118.3m (33.9%), other long term liabilities, which include schools NPDO and land contamination amount to £78.6m (22.6%) and provisions make up the final £0.1m.

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.

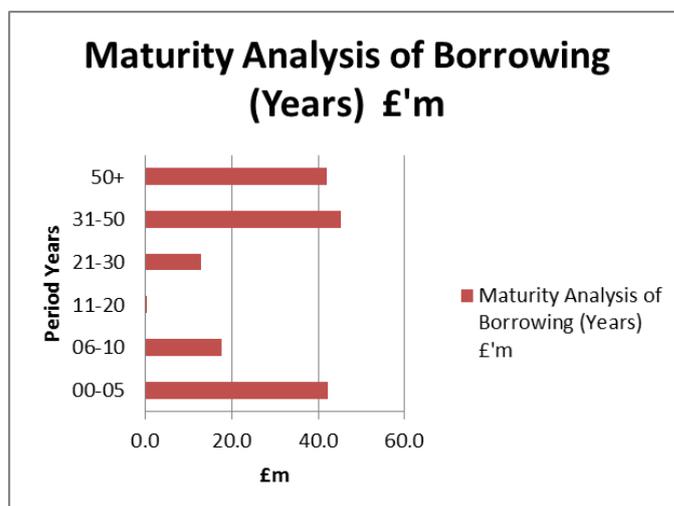
The Capital Financing Requirement (CFR) is the amount of money that the council needs to borrow to finance the assets it uses to deliver services.

	31 March 2014 £m	31 March 2013 £m
Capital Finance Requirement	256.5	258.4
Borrowing incl NPDO	-240.8	-242.1
Over (Under Borrowed)	-15.7	-16.3

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 2013 and 2014. 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 on the money markets; 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 2014, the total sum of money borrowed from external sources was £161.8m. Most of this was financed by the Public Works Loan Board (£108.1m) with the rest coming mainly from the money market.



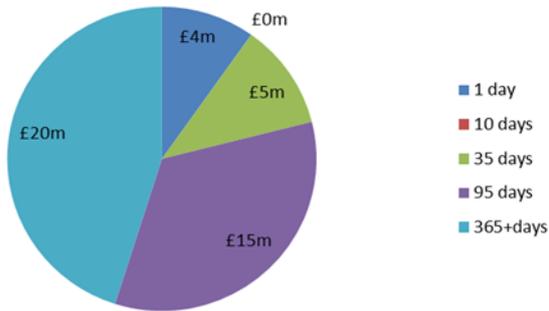
Find our full accounts online at

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Investments

Investments by Maturity Period



At 31 March 2014 the council had investments of £44m. The chart above shows when these are due for repayment.

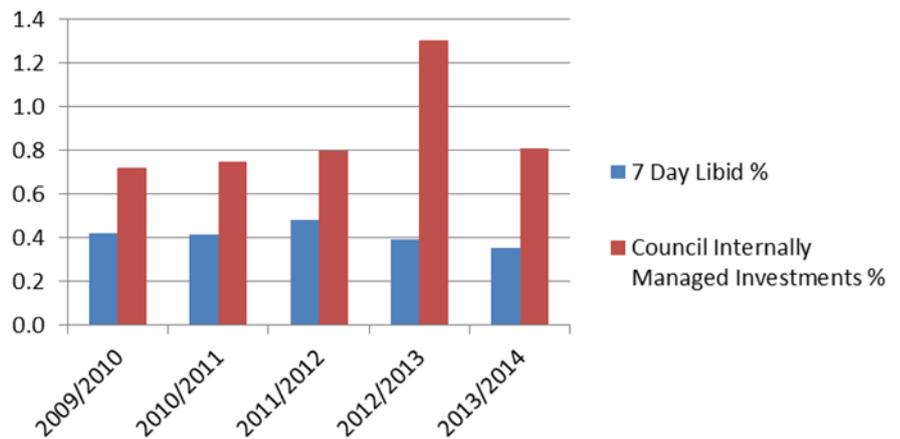
Our investment strategy is designed to optimise the rate of return allowing for the requirements to have cash available to make payments and to ensure that the money invested is repaid to the council in full.

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.

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 declined in 2013-2014.

Average interest rates 2009-2014



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

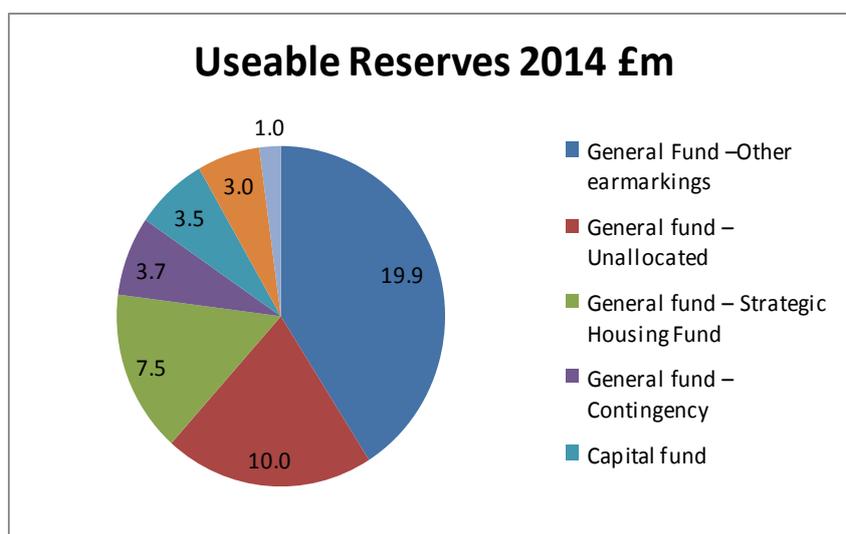
Reserves

The council has total reserves of £174.8m, but most of these (£126.3m) are unusable reserves which are purely for accounting purposes and do not represent resources available for use. Usable reserves were £48.5m at 31st March 2014.

	31 March 2013 £m	31 March 2014 £m
Unusable reserves	130.4	126.3
Capital fund	3.3	3.5
Renewal and repairs fund	0.9	1.0
General fund – Contingency	3.7	3.7
General fund – Strategic Housing Fund	10.2	7.5
General fund – Schools Capital	3.0	3.0
General Fund –Other earmarkings	22.9	19.9
General fund – Unallocated	6.4	10.0
Total reserves	180.7	174.8

Unusable reserves have decreased by £4.1m from £130.4m at 31 March 2013 to £126.3m at 31 March 2014 due to an increase in the pension liability, a surplus on revaluation reserve and a transfer for capital grants.

Useable reserves have decreased by £1.8m from £50.3m at 31 March 2013 to **£48.5m** at 31 March 2014.



The main movements in useable reserves are as follows:

- Strategic housing fund has decreased by £2.7m
- Earmarkings have decreased by £3.0m
- Unallocated reserves have increased by £3.6m

Future outlook

The financial outlook for 2014-15 and 2015-16 is one of relative financial stability. The council adopted a two-year budget for 2014/15 and 2015/16 in February 2014. This will see budgetary savings based on achieving 1% cashable efficiency savings for each of these financial years. The two years of financial stability will allow time to carry out a longer term review of the resources available to the council and how they are used to deliver on priorities and objectives. The three-year capital plan has been agreed by the council for the periods to 2015-16, with a gross spend of £50.2m in 2014-15 and £44.2m in 2015-16.

