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Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Customer Services
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21 June 2012

NOTICE OF MEETING

A meeting of **ARGYLL AND BUTE COUNCIL** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 28 JUNE 2012** at **11:00 AM**, which you are requested to attend.

Douglas Hendry
Executive Director - Customer Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST**

3. **MINUTES**

   (a) Argyll and Bute Council - 14 June 2012 (Pages 1 - 6)
   * (b) Special Committee for Older Peoples Services and Learning Disability Services - 22 June 2012 (to follow)

4. **REPORTS ON FINANCIAL YEAR END 2011/12**

   (a) 2011/12 Unaudited Financial Statements - Covering Report by Head of Strategic Finance (Pages 7 - 16)
   (b) 2011/12 Unaudited Financial Statements (Pages 17 - 128)
   (c) Revenue Budget Monitoring for the Year 2011/12 (Pages 129 - 136)
   (d) Capital Plan Monitoring Report 31 March 2012 (Pages 137 - 178)
   (e) Treasury Management Annual Report 2011/12 (Pages 179 - 194)
   (f) Annual Efficiency Statement 2011/12 (Pages 195 - 200)

5. **POLITICAL MANAGEMENT ARRANGEMENTS**

   (a) Report by Short Life Working Group (Pages 201 - 208)
   (b) Appoint Members and Chairs and Vice Chairs of Various Committees

- Policy and Performance Groups
- Roads and Transportation Working Group
- Performance Review and Scrutiny Committee (Pages 209 - 214)

(c) Planning, Protective Services and Licensing Committee and Regulatory Cohort Resignation (Pages 215 - 216)
(d) Instruct the Executive Director - Customer Services to implement the decisions to be taken at 5(a) above and to report to the Council with a revised Scheme of Administration and Delegation as necessary.
(e) Instruct the Executive Director - Customer Services to prepare a Programme of Meetings for 2012/13 in light of the decisions taken above.

6. INFORMAL REFERENDUM ON COLQUHOUN SQUARE, HELENSBURGH
Report by Executive Director – Customer Services (to follow)

7. APPOINTMENT OF ARMED FORCES CHAMPION
Report by Executive Director – Customer Services (Pages 217 - 218)

8. SCHOOLS FOR THE FUTURE PROGRAMME
Report by Executive Director – Customer Services (to follow)

9. CONSERVATION AREA REGENERATION SCHEME (CARS) ROUND FIVE - OPTIONS APPRAISAL
Report by Executive Director – Development and Infrastructure Services (Pages 219 - 228)

10. SCOTTISH GOVERNMENT CONSULTATION REPORTS ON PLANNING REFORM
Report by Executive Director – Development and Infrastructure Services (Pages 229 - 260)

11. OBAN BIDS BUSINESS PLAN
Report by Executive Director – Development and Infrastructure Services (Pages 261 - 288)

12. APPOINTMENT PANEL: HEAD TEACHER POSTS
Report by Executive Director - Community Services (Pages 289 - 290)

13. ARMED FORCES COMMUNITY COVENANT
Report by Executive Director – Community Services (Pages 291 - 294)

14. NOTICE OF MOTION UNDER STANDING ORDER 13
Moved by Councillor Dance, seconded by Councillor Corry

That this Council:

a) Recognises and values the dedication and commitment of the volunteers and management who stage the Cowal Highland Gathering which contributes to the economic viability and sustainability of the local community and is a significant and prestigious cultural event for the whole of the Argyll and Bute area.

b) Is committed to promoting equality and endeavours to ensure that all youngsters who reside in Argyll and Bute have equity of opportunity to achieve their aspirations, ambitions and potential.

c) Agrees that the management of the Cowal Highland Gathering be advised that the current discriminatory practice in the Highland Dancing competition whereby Helensburgh and Lomond dancers are excluded from the Argyllshire Championships ceases from 2013 onwards as a condition of the continuation of all funding, both “in kind” and through the SLA, provided by Argyll and Bute Council.

d) Agrees that the management of the Cowal Highland Gathering be advised that the definition of Argyll and Bute in all of the competitions at the event from 2013 onwards reflects the current boundary of the local authority as a condition of the continuation of council funding.

E1 15. RECOMMENDATION FROM SPECIAL COMMITTEE FOR OLDER PEOPLE'S SERVICES
Extract from Special Committee for Older People’s Services (to follow)

The Council will be asked to pass a resolution in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for items of business with an “E” on the grounds that it is likely to involve the disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 7a to the Local Government (Scotland) Act 1973.

The appropriate paragraphs are:-

E1 Paragraph 1 Information relating to a particular employee, former employee or applicant to become an employee of, or a particular office-holder, former office-holder or applicant to become an office-holder under the authority.

Paragraph 9 Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.

The above minutes are submitted to the Council for approval of any recommendations on the items which the Committee does not have delegated powers. These items are marked with an *.

COUNCIL

ALL MEMBERS

Contact: Sandra McGlynn Tel: 01546 604401

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MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on THURSDAY, 14 JUNE 2012

Present: Provost Isobel Strong (Chair)

Councillor Blair	Councillor MacDonald
Councillor Breslin	Councillor MacDougall
Councillor Colville	Councillor R E Macintyre
Councillor Corry	Councillor R G MacIntyre
Councillor Currie	Councillor McNaughton
Councillor Dance	Councillor McQueen
Councillor Devon	Councillor A Morton
Councillor Freeman	Councillor E Morton
Councillor Glen-Lee	Councillor Mulvaney
Councillor Hall	Councillor Philand
Councillor Horn	Councillor Robb
Councillor Kelly	Councillor Scoullar
Councillor Kinniburgh	Councillor Taylor
Councillor McAlpine	Councillor Trail
Councillor McCuish	Councillor Walsh

Attending: Sally Loudon, Chief Executive
Douglas Hendry, Executive Director of Customer Services
Cleland Sneddon, Executive Director of Community Services
Sandy Mactaggart, Executive Director of Development and Infrastructure
Bruce West, Head of Strategic Finance
Judy Orr, Head of Customer and Support Services
Fiona Mitchell Knight, Audit Scotland

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillors Duncan MacIntyre, Donald MacMillan, Bruce Marshall, Elaine Robertson and John Semple and from Mr William Crossan.

Councillor Robertson had intimated that she would be unable to attend the Council meeting today as she had to attend a meeting of the Criminal Justice Partnership Committee to avoid it being inquorate.

2. DECLARATIONS OF INTEREST

None declared.

3. MINUTES

(a) Argyll and Bute Council - 22 May 2012

The Minutes of the meeting of Argyll and Bute Council held on 22 May 2012 were approved as a correct record subject to the following amendment:-

Item 20b – Nominations for COSLA President and Vice-President

The decision should read “consideration of this item did not take place and therefore no nominations were made".

In respect of item 21 – Appointments to Outside Bodies, it was noted that with regard to Councillor Alistair MacDougall's appointment to the Inter-Authority Standing Group on Gaelic, this Group no longer existed and that there was another Group established involving Head Teachers which did not have Member involvement and the Head of Governance and Law agreed to find out more about this Group.

(b) Special Meeting of Argyll and Bute Council - 26 April 2012 at 6pm

The Minutes of the special meeting of Argyll and Bute Council held on 26 April 2012 were approved as a correct record.

(c) Argyll and Bute Council - 26 April 2012 at 4pm

The Minutes of the meeting of Argyll and Bute Council held on 26 April 2012 were approved as a correct record.

(d) Executive - 19 April 2012

The Minutes of the meeting of the Executive held on 19 April 2012 were approved as a correct record.

The Provost ruled and the Council agreed to consider item 6 on the agenda (Assurance and Improvement Plan – Update 2012-15) next to allow Officers to attend to other business.

4. ASSURANCE AND IMPROVEMENT PLAN - UPDATE 2012-15

The Council had recently updated its Assurance and Improvement Plan taking into account findings of the annual Shared Risk Assessment review of the Council. The updated Plan which outlines the current level of audit and inspection risk within the Council and sets out proposed external scrutiny for a rolling three year period was before the Council for consideration.

Decision

The Council noted:-

(a) The annual Assurance and Improvement Plan update and, in particular, the positive comments on the Council's improvement progress and reduction in risk; and

(b) That areas identified as risks or uncertainty will continue to be addressed through the Council's ongoing improvement agenda.

(Reference: Report by Chief Executive dated June 2012 and Assurance and Improvement Plan 2012-15, submitted)

5. POLITICAL MANAGEMENT ARRANGEMENTS

(a) Report by Short Life Working Group

The Council, at their meeting on 22 May 2012, had referred further consideration of the report by the Short Life Working Group to this meeting. The report made recommendations about future Political Management Arrangements.

Decision

Agreed to continue consideration of this report to the Council meeting on 28 June 2012 and noted that arrangements were being made to consult with all Members on the future Political Management arrangements in advance of this meeting.

(Reference: Report by Short Life Working Group dated May 2012, submitted)

(b) Appoint Members and Chairs and Vice Chairs of Various Committees

Decision

Agreed to continue consideration of this item to the Council meeting on 28 June 2012.

(c) Planning, Protective Services and Licensing Committee Resignation

Following the resignation of Councillor Robert E Macintyre from the Planning, Protective Services and Licensing Committee the Council were invited to nominate a Member to sit on the Committee/Regulatory Cohort in his place.

Decision

1. Noted that there were no nominations; and

2. Agreed to consider this item again at the Council meeting on 28 June 2012 and noted that the Head of Governance and Law would provide a note of the political affiliation of each of the current Members of the Regulatory Cohort/Planning, Protective Services and Licensing Committee.

(Reference: Report by Executive Director – Customer Services dated June 2012, submitted)

(d) Appointment of Members to Outside Bodies

The Council considered a report inviting nominations to a number of Outside Bodies.

Decision

Agreed to:-

(a) Note the nomination of Councillor Robb to become a UK Member of the CPMR (Conference of Peripheral Maritime Regions of Europe) Atlantic Arc Political Bureau;

(b) Appoint Councillor James Robb to the CPMR;

(c) Appoint Councillor Gordon Blair as Councillor Robb's substitute for CPMR business;

(d) Appoint Councillor Richard Trail to the Scottish Government Forum Against Poverty; and

(e) Nominate Councillor Elaine Robertson to COSLA – Scottish National War Memorial Trustees.

(Reference: Report by Executive Director – Customer Services dated May 2012 and Report by Executive Director – Development and Infrastructure Services, submitted)

(e) Instruct the Executive Director - Customer Services to implement the decisions to be taken at 4(a) above and to report to the Council with a revised Scheme of Administration and Delegations as necessary

Decision

Agreed to continue consideration of this item to the Council meeting on 28 June 2012.

(f) Instruct the Executive Director - Customer Services to prepare a Programme of Meetings for 2012/13 in light of the decisions taken above

Decision

Agreed to continue consideration of this item to the Council meeting on 28 June 2012.

6. PERFORMANCE MANAGEMENT - FQ4 2011/12

The Chief Executive and Executive Directors presented the Council Scorecard and Departmental Scorecards to the Council using the Performance Management System Pyramid. The presentation focused on Financial Quarter 4 2011/12 and included a review of successes, key challenges and an outline of improvement actions for the coming period.

Decision

1. Noted the Performance Management report for Financial Quarter 4 2011/12;

2. Noted that revised measures for Community Councils were being looked at and that these would be issued to all Members and that feedback on these would be welcomed;

3. Noted that bus service routes across Argyll and Bute were monitored on an ongoing basis and that the Executive Director – Customer Services and Head of Facility Services would welcome any comments from Members about any particular services which they felt needed reviewed; and

4. Noted that the current arrangements for presenting performance management information to Members would be reviewed.

(Reference: Report by Chief Executive dated June 2012, submitted)

7. PUBLIC ENTERTAINMENT LICENCES

The Council considered a recommendation from the Planning, Protective Services and Licensing Committee regarding Standard Conditions for Public Entertainment Licences and setting fees for these licences.

Decision

Agreed that:-

(a) The draft standard conditions attached at Appendix A to the report be approved and published on the Council's website;

(b) No fee should be charged for a free to enter event if the event is organised by a formally constituted voluntary or charitable organisation on the basis that this exemption from payment of a fee only applying if the following criteria are met (i) there is no admission charge or fee; (ii) no charge for use of any of the facilities provided by the event organiser; and (iii) no donations are made towards the cost of running the event;

(c) If entry to an event held by a voluntary or charitable organisation is not free there is no fee for the first 2 events held per year by the organisation with subsequent events held in the same year being charged a reduced fee of £40 per event but that this fee be waived until June 2013; and

(d) There is a robust monitoring period of a year in relation to any change in the fees agreed in relation to voluntary and charitable based organisations with a further report being placed before the PPSL Committee to advise on cost implications in administering and any other issues in June 2013.

(Reference: Report by Head of Governance and Law dated May 2012, submitted)

8. HIGHLAND BROADBAND PATHFINDER

A report which updated the Council on the Highland Broadband Pathfinder Re-procurement Project was considered. The Council were invited to raise any issues that may be of particular concern regarding the project to ensure that they can be fully addressed as the project progresses.

Decision

Noted the detail within the report.

(Reference: Report by Executive Director – Customer Services dated 29 March 2012, submitted)

9. NOTICE OF MOTION UNDER STANDING ORDER 13

That this Council –

a) Congratulates Her Majesty, Queen Elizabeth II on the occasion of her Diamond Jubilee and expresses its gratitude for Her Majesty's exceptional public service and unwavering dedication to duty over six decades.

b) Commemorates the Diamond Jubilee by requesting Council Officers to display an appropriate portrait of Her Majesty, Queen Elizabeth II in the Council Chamber. This portrait or picture to be selected from those currently owned or available to the Council.

Moved by Councillor Gary Mulvaney, seconded by Councillor Maurice Corry.

Decision

The Motion was unanimously agreed and the Council resolved accordingly.

The Committee resolved in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the public for the following item of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraph 12 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

10. OBAN AIRPORT - FIRE APPLIANCES

Consideration was given to an update report on Oban Airport.

Decision

Agreed the recommendations within the report.

(Reference: Report by Executive Director – Customer Services dated June 2012, submitted)

ARGYLL AND BUTE COUNCIL | **COUNCIL**

STRATEGIC FINANCE | **28 JUNE 2012**

2011-12 UNAUDITED FINANCIAL STATEMENTS

1. INTRODUCTION

1.1 The balance on the General Fund has increased by £0.665m. The total balance on the General Fund Reserve is £34.572m. There are substantial sums earmarked and committed in the General Fund Reserve amounting to £29.454m. The free General Fund Reserve is £5.118m, this unallocated balance represents 2.0% of the Council's budgeted net expenditure for 2012-13.

1.2 The total usable reserves including the General Fund Reserve are £38.196m at 31 March 2012. There are unusable reserves (accounting reserves not backed by resources) of £145.475m at 31 March 2012.

1.3 During 2011-12 expenditure excluding loans charges was underspent by £1.220m. Additional council tax income of £0.692m and savings in loan charges of £1.156m result in an underspend against budget of £3.068m.

1.4 The total Comprehensive Income and Expenditure comprises of a surplus on the provision of services of £18.852m, a surplus on the revaluation of Long Term Assets of £5.499m and an actuarial loss on the pension fund assets/liability of £57.154m. This gives a total of £32.803m and is an accounting total deficit rather than a reduction in resources available to the Council to spend.

1.5 The net worth of the Council has decreased by £32.803m from £212.980m at 31 March 2011 to £180.177m at 31 March 2012. This is merely a decrease in the accounting worth of the Council and does not represent a decrease in the spending power of the Council. Whilst there are increases in long term and current assets and a decrease in current liabilities these are offset by a significant increase in the pension fund liability of £52.865m.

1.6 Both the Roads and Lighting and Catering and Clearing Trading Accounts met the requirement for a 3 year rolling breakeven position.

1.7 Council tax income has increased from £47.012m in 2010-11 to £47.309m in 2011-12.

2. RECOMMENDATIONS

2.1 Members note the unaudited accounts.

3. DETAIL

3.1 Introduction

3.1.1 There is a statutory requirement to prepare a set of Accounts and submit the Accounts to the Controller of Audit and the Council. The date set by the Scottish Government for submission of the Accounts is 30 June of each year.

3.1.2 It should be noted that the Accounts have still to be audited. The Audit Committee at its meeting in September will be advised by the external auditor of any material issues coming to light during the audit and any changes to the Accounts. The Audited Accounts, Audit Certificate and Auditors final report will be submitted to the November meeting of the Council. Figures are therefore subject to change.

3.1.3 From 2010-11 onwards Local Authorities are required to prepare financial statements following International Financial Reporting Standards (IFRS). Under these standards the financial statements comprise:

- Explanatory Foreword
- Statement of Responsibilities for the Statement of Accounts
- Statement of Governance and Internal Control
- Remuneration Report
- Movement in Reserves Statement for the period
- Comprehensive Income and Expenditure Statement for the period
- Balance Sheet as at the end of the period
- Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information (includes Council Tax and NDR Income Accounts), and
- Group Accounts

3.1.4 Where there is a significant change in accounting policy it is applied retrospectively by adjusting opening balances and comparative amounts for prior years as if the policy had always been applied.

3.1.5 Financial Reporting Standard (FRS) 30 Heritage Assets has been adopted as part of the 2011-12 Code of Practice, this is classed as a change in accounting policy and as such is required to be applied retrospectively back to 1st April 2010. This balance sheet has been re-stated to comply with the standard along with the 2010-11 transactions to provide comparative figures. This is in addition to the information for the 2011-12 financial year.

3.1.6 Heritage Assets are assets which are held and maintained by the Council for their contribution to knowledge and culture, these have been identified and recognised as a separate class of assets for the first time on the balance sheet. In practical terms this required the transfer of a number of artworks and other cultural assets from Community Assets.

3.1.7 In addition a prior year re-statement is required to comply with accounting policy for the income in relation to voluntary legal charges against client property as a method of recovering debt for residential home care placements. This income should be recognised as a debtor on the Council balance sheet with the income recognised in the service as and when the charging order is agreed, previously the income had been recognised only when it was recovered. A re-statement has been made for the historic debt, this has resulted in an increase to the General Fund Balance at 1st April 2010. This acceleration of income will require to be earmarked for Adult Care to fund the projected growth in elderly services, as agreed by Executive on 19 April 2012.

3.2 Explanatory Foreword

3.2.1 The Explanatory Foreword provides an overview of the key points in relation to the Accounts and a summary of the Council's financial performance for the year. It also highlights any significant changes in accounting policies.

3.3 Statement of Responsibilities for the Statement of Accounts

3.3.1 The Statement of Responsibilities for the Statement of Accounts specifies the Council's responsibilities and also the responsibilities of the Head of Strategic Finance in respect of the Accounts.

3.4 Statement of Governance and Internal Control

3.4.1 In the Statement of Governance and Internal Control the Council states its view on the adequacy of its governance and internal control system. The statement concludes the system of governance and internal controls is operating effectively and outlines the reasons for that conclusion.

3.5 Remuneration Report

3.5.1 The Remuneration Report gives details of the remuneration policy, remuneration and pension benefits of senior councillors and senior officers and any employee exit packages.

3.6 Statement of Movement in Reserves

3.6.1 The Council reserves are split into Usable and Unusable Reserves. Usable reserves are those which are backed by actual resources and can be applied to fund expenditure or reduce local taxation. Unusable reserves are not backed by resources and are required purely for accounting purposes, these reserves do not represent resources available for the Council to utilise.

3.6.2 The total Council reserves have decreased from £212.980m at 31 March 2011 to £180.177m at 31 March 2012, a decrease of £32.803m. This is represented by a Surplus on Provision of Services of £18.852m offset by Other Comprehensive Income and Expenditure of £51.655m.

3.6.3 Unusable Reserves have decreased by £33.623m from £175.604m at 31 March 2011 to £141.981m at 31 March 2012. The main reasons for this are an increase in the Pension Reserve Liability of £57.154m, which is partly offset by a surplus on the revaluation of fixed assets of £5.499m and the transfer of £11.479m from the Comprehensive Income and Expenditure Statement for Capital Grants.

3.6.4 The Usable Reserves have increased from £37.376 at 31 March 2011 to £38.196m at 31 March 2012, an increase of £0.820m. The main reason for this is an increase in the General Fund Balance of £0.665m.

3.6.5 A number of adjustments are made between Council reserves to reflect the correct charge to Council Tax for the year. The net adjustment to the surplus per the Comprehensive Income and Expenditure Statement to reflect the impact on Council Tax is a debit of £18.187m. In summary this debit represents the difference between:

- Principal repayment to the loans fund and the depreciation or amortisation of fixed assets and government grant and any gain/loss on sale of assets
- Cash paid as pension contributions and the costs charged in accordance with IAS19.
- Statutory provision relating to amounts due on early repayment of loans and the charges in accordance with the Code.
- Capital element of finance lease payments on the schools NPDO contract and other finance leases.

3.6.6 The net surplus on the Provision of Services on the Comprehensive Income and Expenditure Account of £18.852m less the adjustments to reflect impact on Council Tax of £18.187m equates to the increase on the balance on the General Fund of £0.665m.

3.7 General Fund Reserve

3.7.1 The balance on the General Fund at 31 March 2012 stands at £34.572m compared to £33.907m at 31 March 2011. An increase of £0.665m. The “free” General Fund Balance stands at £5.118m at 31 March 2012. This equates to 2.0% of the net revenue expenditure for 2012-13, the Council has a policy of maintaining an unallocated balance in the General Fund Reserve equivalent to 1.5% of net revenue expenditure. There are a range of balances earmarked within the General Fund, these total £29.454m and are laid out in the table below:

Earmarking Category	**Balance at 31 March 2012 £’000**
Strategic Housing Fund (Council Tax on Second Homes)	8,689
Unspent Grants and Third Party Contributions	754
Unspent Budget Carried Forward	5,244
School Budget Carry Forwards	1,221
Unspent Budget Required for Existing Legal Commitments	148
CHORD	475
Revenue Contribution to Capital	12,500
Severance Costs	423
Total Earmarked Balance at 31 March 2012	**29,454**

3.7.2 The balances previously earmarked for the NPDO and Waste PPP Smoothing Funds have been removed and £12.5m has been earmarked as a contribution to capital to fund the Dunoon and Campbeltown schools, as agreed as part of the 2012-13 budget in February 2012.

3.7.3 The Unspent Budget Carried Forward earmarked reserves totalling £5.244m include any earmarking of unspent budget which does not qualify for automatic carry-forward, which would include unspent grants and where there are existing legal commitments. Proposals to earmark unspent budget must be supported by a detailed business case, which would include the purpose of the earmarking linked to the objectives in the corporate and service plans. The amount earmarked at the 31 March 2012 consists of those proposals previously agreed by Executive or Council and therefore no further detail is included in this report. The only change being that in April 2012 the Executive approved a carry-forward of £0.6m in relation to the income for Adult Care in respect of the acceleration of income in relation to the debt recovery for Residential Care Home Placements. At the time this was the best estimate of the historic debt, this figure has now been finalised and a total of £0.934m requires to be earmarked for this purpose, this is included in the total.

3.7.4 The movement in the General Fund can be summarised as follows:

	£m	£m
Balance on General Fund 31 March 2011		**33.907**
Release of sums previously earmarked to service budgets 2011-12		(10.224)
		23.683
Add outturn for 2011-12		
Increase in council tax income	0.692	
Savings in loan charges	1.156	
Net underspend on departmental and other expenditure compared to budget	1.220	
Surplus against budget 2011-12		**3.068**
Contributions to Earmarked Reserves 2011-12:		
Council Tax collection on second homes	1.817	
Funds earmarked by departments from budgets	6.004	
		7.821
Balance on General Fund 31 March 2012		**34.572**

3.7.5 The release of sums already earmarked to service budgets total of £10.224m consists of funds released to services for amounts previously earmarked for specific purposes, including monies agreed by Council to fund the CHORD programme and Process for Change and also the approved budgeted contribution from reserves to balance the overall 2011-12 budget position.

3.8 Performance Against Budget

3.8.1 At the year-end expenditure excluding loans charges was underspent by £1.220m. The table below is a summary of the year-end actual expenditure for each department compared to the annual budget.

	(over) /underspend £m	% age of annual budget £m
Chief Executive's Unit	0.111	1.75%
Community Services	2.067	1.50%
Customer Services	0.081	0.24%
Development and Infrastructure Services	(0.639)	(1.95%)
Non-Departmental expenditure	(0.400)	(1.47%)
TOTAL	**1.220**	**0.51%**

3.8.2 The overspend in Development and Infrastructure Services relates to the additional costs associated with winter maintenance and storm damage. In Community Services there was an overall underspend due to a reduction in demand for some services and additional savings achieved in advance of service reviews. The projected year-end position for departments was forecast and monitored during 2011-12 and steps were taken to ensure that overall the departmental year-end variance position was not unfavourable. The overspend in Non-Departmental expenditure relates to the provision for severance costs as part of the ongoing Council Modernisation.

3.9 Comprehensive Income and Expenditure Statement

3.9.1 The Council ended the year with an accounting deficit of £32.803m for 2012-13 compared to a surplus of £100.754m in 2011-12, this is the accounting surplus based on the IFRS compliant accounts rather than the movement in the General Fund Balance. The total Comprehensive Income and Expenditure comprises of a surplus on the provision of services of £18.852m, a surplus on the revaluation of Long Term Assets of £5.499m, offset by an actuarial loss on the pension fund assets/liability of £57.154m.

3.9.2 The surplus on the provision of services of £18.852m compares to a surplus of £53.581m for 2011-12. The main factors contributing to these changes are as follows:

- Taxation and Non-Specific Grant Income decreased from £279.925m to £272.546m a decrease of £7.379m (2.6%). This reduction in funding reflects the Councils share of the overall national reduction in funding for public services.
- Financing and Investment Income and Expenditure fell from £15.670m in 2010-11 to £15.316m in 2011-12 a reduction of £0.354m (2.2%). The reduction is due to an increase in interest payable and similar charges, partly offset by an increase in the expected return on pension assets
- Other Operating Income and Expenditure decreased from £1.453m in

2010-11 to £1.396m 2011-12 a reduction of £0.057m (3.9%). This is due to an increase in the loss on disposal of long term assets offset by a decrease in other operating income and expenditure as a result of additional income recovered in relation to VAT reclaims made under the "Fleming" case law principle.

- The Net Cost of Services has increased from £209.620m in 2010-11 to £236.982m in 2011-12 an increase of £27.362 (13.1%). This is an increase in expenditure in accounting terms and does not represent a true increase in spend on services by the Council. The main reason for this being a credit of £42.187m to Non Distributed costs in 2010-11 for a reduction in the Pension Liability, this adjustment was the one-off impact on the pension liability as a result of the basis for future pension increases being linked to the Consumer Price Index (CPI).

3.10 Balance Sheet

3.10.1 As indicated above the accounting net worth of the Council has decreased by £32.803m from £212.980m at 31 March 2011 to £180.177m at 31 March 2012.

3.10.2 The value of long term assets has increased from £479.957m at 31 March 2011 to £489.135m at 31 March 2012, an increase of £9.178m (1.9%). This comprises the net of an overall upward revaluation of fixed assets, capital expenditure in the year, less the value of fixed assets disposed.

3.10.3 Total current assets have increased from £47.527m at 31 March 2011 to £53.303m at 31 March 2012 an increase of £5.776m. The main reason for this being a decrease in Cash and Cash Equivalents of £14.959m from £30.446m at 31 March 2011 to £15.487m at 31 March 2012, offset by an increase in short term investments of £20.0m.

3.10.4 Total current liabilities have reduced from £44.446m at 31 March 2011 to £40.621m at 31 March 2012 a reduction of £3.825m. Short term creditors have fallen from £37.423m to £35.510m. In addition there has been a decrease in provisions of £1.845m, which relates to the settling of equal pay claims and severance costs associated with employees leaving the Council under redundancy and early retirement.

3.10.5 Overall, long term liabilities have increased from £270.058m at 31 March 2011 to £321.640m at 31 March 2012. The increase £51.582m is primarily due to the increase in the IAS19 valuation of the pension scheme liability from £26.227m to £79.092m.

3.11 Cash Flow Statement

3.11.1 The cash flow statement shows the changes in cash and cash equivalents of the Council during the financial year. The Cash and Cash Equivalents balance at 31 March 2011 was £30.446m and decreased by £14.959m to £15.487m at 31 March 2012. The Net Cash Flows from Operating Activities have increased from £19.340m at 31 March 2011 to £6.538m at 31 March 2012, this decrease of £12.802m represents a decrease in the Councils income funded from taxation and grant income. Cash outflows for Investment Activities have increased from £6.968m during 2010-11 to £21.570m in 2011-12, as a result of placing £20.0m of surplus cash on investment. Cash flows from Financing Activities were a cash inflow of £14.724m during 2010-11 and a net cash inflow during 2011-12 of

£0.073m, this decrease relates to new borrowing during 2010-11.

3.12 Notes to Accounts

3.12.1 The Notes section gives further information and explanation to some of the key figures included in the accounts some of which are summarised below.

3.12.2 Note 8 refers to Significant Trading Organisations. Significant Trading Organisations must achieve a breakeven financial position over a rolling three year period. During 2011-12 the Roads and Lighting trading account achieved a surplus of £0.357m. It achieved a rolling breakeven position with a three year surplus of £2.029m. The Catering & Cleaning trading account returned a surplus of £0.322m for the year and a rolling breakeven position with a three year surplus of £1.308m. Any surplus or deficit on trading organisations is treated as part of the General Fund.

3.12.3 The significant future financial commitments arising from the Waste Management PPP and Schools NPDO PPP are summarised in notes 11 and 19.3. The Council is committed to future payments of £84.220m over the period to 2027 for the Waste PPP and £345.877m over the period to 2035 for the Schools NPDO PPP.

3.13 Council Tax Income Account

3.13.1 Income taken to the General Fund for council tax in 2011-12 amounted to £47.309m compared to £47.012m in 2010-11. This is an increase of £0.297m (0.63%).

3.13.2 In 2011-12 council tax rates were frozen at 2010-11 levels of £1,178 for a band D dwelling. The total council tax levied excluding second homes increased by £0.376m (0.71%) from £53.246m in 2010-11 to £53.622m in 2011-12.

3.13.3 There was minimal change to discounts, valuation and provision for bad and doubtful debts which decreased by £0.020m from £8.722m in 2010-11 to £8.702m in 2011-12.

3.14 Non Domestic Rate Income Account

3.14.1 Non Domestic Rate Income amounted to a share of £25.582m for 2011-12 allocated from the national pool. This compares to £36.214m in 2010-11. Our own net income amounted to £25.888m and we transferred a contribution to the national pool of £0.306m for 2011-12. These figures compared to income of £25.473m and a contribution from the national pool of £10.741m for 2010-11. This reduction in income reflects the Councils share of the overall national reduction in funding for public services.

3.15 Capital Expenditure and Borrowing

3.15.1 Details of capital expenditure are as follows:

		£'m
Gross Capital Expenditure		25.575
Less:	Capital Receipts	0.190
	Government Grants and Other Contributions	11.479
	Revenue Contributions	0.124
Balance Funded from Borrowing		13.782

3.15.2 The capital financing requirement at 31 March 2012 was £256.617m. This was financed as follows:

	£'m
Long Term Borrowing	160.210
Short Term Borrowing	0.553
Schools NPDO Finance Lease Liability	82.576
Internal Funds	13.278
	256.617

The external borrowing of the Council at 31 March 2012 amounted to £160.763m. The majority of this was financed by the Public Works Loan Board (£108.066m), with the remainder coming mainly from the money market.

3.15.3 During the year the Council completed £0.2m of new external borrowing. This was used to finance capital expenditure incurred during the year. The Council also repaid loans of £0.16m.

3.16 Group Accounts

3.16.1 For 2011-12 the Council is required to prepare Group Accounts. The Group Accounts comprise of a Statement of Movement in Reserves, a Comprehensive Income and Expenditure Statement, a Balance Sheet and notes. The group accounts incorporate Common Good Funds as subsidiaries and Police, Fire and Valuation Joint Board as associates.

For further information please contact Bruce West, Head of Strategic Finance 01546-604151.

Bruce West
Head of Strategic Finance
20 June 2012

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Argyll and Bute Council

Comhairle Earra Ghàidheal agus Bhòid

Unaudited Financial Statements

for the year ended 31 March 2012

LANGUAGE OPTIONS

If you would like this document in another language or format, or if you require the services of an interpreter, please contact us.

Ma tha sibh ag iarraidh an sgrìobhainn seo ann an cànan no riochd eile, no ma tha sibh a' feumachdainn seirbheis eadar, feuch gun leig sibh fios thugainn.

本文件可以翻譯為另一語文版本，或製作成另一格式，如有此需要，或需要傳譯員的協助，請與我們聯絡。

यह दस्तावेज़ यदि आपको किसी अन्य भाषा या अन्य रूप में चाहिये, या आपको आनुवाद-सेवाओं की आवश्यक्ता हो तो हमसे संपर्क करें

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ਜੇ ਇਹ ਦਸਤਾਵੇਜ਼ ਤੁਹਾਨੂੰ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦਾ ਹੈ, ਜਾਂ ਜੇ ਤੁਹਾਨੂੰ ਗੱਲਬਾਤ ਸਮਝਾਉਣ ਲਈ ਕਿਸੇ ਇੰਟਰਪ੍ਰੈਟਰ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਤੁਸੀਂ ਸਾਨੂੰ ਦੱਸੋ।

یہ دستاویزاگرآپ کوکسی دیگرزبان یادیگرشکل میں درکارہو، یااگرآپ کوترجمان کی خدمات چاہئیں توبرائے مہربانی ہم سے رابطہ کیجئے۔

Jeżeli chcieliby Państwo otrzymać ten dokument w innym języku lub w innym formacie albo jeżeli potrzebna jest pomoc tłumacza, to prosimy o kontakt z nami.

Strategic Finance
Argyll and Bute Council
Kilmory
Lochgilphead
Argyll
PA31 8RT

Tel: 01546 604220

FINANCIAL STATEMENTS CONTENTS

NOTES TO THE FINANCIAL STATEMENTS CONTENTS

NOTES TO THE FINANCIAL STATEMENTS CONTENTS

INTRODUCTION

The Annual Accounts demonstrate the Council's stewardship of the public funds it controls. The financial results for 2011-12 are set out on pages 27 to 35. Note 1 to the Financial Statements on pages 36 to 49 sets out the Summary of Significant Accounting Policies adopted by the Council to ensure that the Financial Statements give a "true and fair view" of our financial performance.

THE FINANCIAL STATEMENTS

The objectives of financial statements are to provide information on the financial position, financial performance and cash flows of the Council which is useful to a wide range of users in making and evaluating decisions about the allocation of resources. The information provided by the financial statements should be useful for decision making and demonstrate the accountability of the Council for the resources entrusted to it.

The financial statements comprise:

- Movement in Reserves Statement for the period
- Comprehensive Income and Expenditure Statement for the period
- Balance Sheet as at the end of the period
- Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information, and
- Balance Sheet as at the beginning of the earliest comparative period where a retrospective restatement of items in its financial statements have been made.

CHANGES IN ACCOUNTING PRACTICE

Financial Reporting Standard (FRS) 30 – *Heritage Assets* has been adopted as part of the 2011-12 Code of Practice. This is being disclosed as a change in accounting policy.

Heritage assets are assets that are held and maintained by the Council for their contribution to knowledge and culture. Heritage assets can have historical, artistic, geophysical or environmental qualities. Heritage assets have been identified and recognised as a separate class of assets for the first time in the balance sheet.

This change in accounting policy has resulted in £1.3m of assets being re-categorised from community assets into heritage assets. The main heritage assets held by the Council are two art collections and Inveraray Jail and Courthouse. The Council holds other heritage assets which are not valued and shown on the balance sheet. Further details on the council's heritage assets policy can be found in note 1.11 on page 41.

During 2011-12 a decision was made to recognise as a debtor on the balance sheet amounts due to the Council for care home fee charging orders. This resulted in a long term debtor of £0.831m being recognised on the balance sheet at 1 April 2010. This amount has been earmarked within the General Fund Balance along with the year on year movement since then.

FINANCIAL PEFORMANCE

Statement of Movement in Reserves

The total Council reserves have decreased from £212.980m at 31 March 2011 to £180.177m at 31 March 2012, a decrease of £32.803m. This is represented by a Surplus on Provision of Services of £18.852m offset by a deficit in Other Comprehensive Income and Expenditure of £51.655m.

The Council's reserves are split into Usable and Unusable Reserves. Usable reserves are those which are backed by actual resources and can be applied to fund expenditure or reduce local taxation. Unusable reserves are not backed by resources and are required purely for accounting purposes, these reserves do not represent resources available for the Council to utilise.

Unusable Reserves have decreased by £33.623m from £175.604m at 31 March 2011 to £141.981m at 31 March 2012. The main reasons for this are a decrease in the Pension Reserve Liability of £52.865m, partly offset by a surplus on the revaluation of fixed assets of £5.499m and the transfer of £11.479m from the Comprehensive Income and Expenditure Statement for Capital Grants.

The Usable Reserves have increased from £37.376m at 31 March 2011 to £38.196m at 31 March 2012, an increase of £0.820m. The main reason for this is an increase in the General Fund Balance of £0.665m.

A number of adjustments are made between Council reserves to reflect the correct charge to Council Tax for the year. The net adjustment to the surplus per the Comprehensive Income and Expenditure Statement to reflect the impact on Council Tax is a debit of £18.187m. In summary this debit represents the difference between:

- Principal repayment to the loans fund, the depreciation or amortisation of property, plant and equipment, government grants and any gain/loss on sale of assets
- Cash paid as pension contributions and the costs charged in accordance with IAS19.
- Statutory provision relating to amounts due on early repayment of loans and the charges in accordance with the Code.
- Capital element of finance lease payments on the schools NPDO contract and other finance leases.

The net surplus on the Provision of Services on the Comprehensive Income and Expenditure Account of £18.852m less the adjustments to reflect impact on Council Tax of £18.187m equates to the increase on the balance on the General Fund of £0.665m.

General Fund Reserve

The balance on the General Fund at 31 March 2012 stands at £34.572m compared to £33.907m at 31 March 2011, an increase of £0.665m. The "free" General Fund Balance stands at £5.118m at 31 March 2012. This equates to 2.0% of the net revenue expenditure for 2012-13, the Council has a policy of maintaining an unallocated balance in the General Fund Reserve equivalent to 1.5% of budgeted net revenue expenditure. There are a range of balances earmarked within the General Fund, these total £29.454m and are laid out in note 5 on page 52. The main balances include £8.689m for the Strategic Housing Fund generated from Council Tax on second homes and £12.5m earmarked as a revenue contribution to capital to fund the Dunoon and Campbeltown schools, as agreed as part of the 2012-13 to 2014-15 revenue budget in February 2012.

The movement in the General Fund can be summarised as follows:

	£m	£m
Balance on General Fund 31 March 2011		**33.907**
Release of sums previously earmarked to service budgets 2011-12		(10.224)
		23.683
Add outturn for 2011-12:		
Increase in council tax income	0.692	
Savings in loan charges	1.156	
Net underspend on departmental and other expenditure compared to budget	1.220	
Surplus against budget 2011-12		**3.068**
Contributions to Earmarked Reserves 2011-12:		
Council Tax collection on second homes	1.817	
Funds earmarked by departments from budgets	6.004	
		7.821
Balance on General Fund 31 March 2012		**34.572**

The release of sums already earmarked to service budgets total of £10.224m consists of funds released to services for amounts previously earmarked for specific purposes, for example the CHORD programme and Process for Change and also the approved budgeted contribution from reserves to balance the overall 2011-12 budget position.

In February 2012 the Council took the decision to remove the earmarking from the NPDO and Waste Management PPP Smoothing Funds and use £12.5m of this as a contribution to capital to fund the Council contribution for the Dunoon and Campbeltown schools. The smoothing funds have been un-earmarked and the £12.5m has been earmarked in the General Fund for this purpose, with the remaining balance on the Smoothing Funds being returned to the unallocated General Fund and used as part of the overall budget strategy.

Performance against budget

At the year-end, expenditure excluding loans charges was underspent by £1.220m. The table below is a summary of the year-end actual expenditure for each department compared to the annual budget.

	(over) /underspend £m	% age of annual budget £m
Chief Executive's Unit	0.111	1.75%
Community Services	2.067	1.50%
Customer Services	0.081	0.24%
Development and Infrastructure Services	(0.639)	(1.95%)
Non-Departmental expenditure	(0.400)	(1.47%)
TOTAL	**1.220**	**0.51%**

The overspend in Development and Infrastructure Services relates to the additional costs associated with winter maintenance and storm damage. In Community Services there was an overall underspend due to a reduction in demand for some services and additional savings achieved in advance of service reviews. The projected year-end position for the departments was forecast and monitored during 2011-12 and steps were taken to ensure that overall the departmental year-end variance position was not unfavourable. The overspend in Non-Departmental expenditure relates to the provision for severance costs as part of the on-going Council Modernisation.

Comprehensive Income and Expenditure Statement

The Council ended the year with an accounting deficit of £32.803m for 2011-12 compared to a surplus of £101.754m in 2010-11, this is the accounting surplus based on the IFRS compliant accounts rather than the movement in the General Fund Balance. The total Comprehensive Income and Expenditure for 2011-12 represents the decrease in the net worth of the Council from £212.980m at 31 March 2011 to £180.177m at 31 March 2012. This is a decrease in the net worth of the Council in accounting terms and does not represent a decrease in the spending power of the Council.

The total Comprehensive Income and Expenditure comprises a surplus on the provision of services of £18.852m and a surplus on the revaluation of Long Term Assets of £5.499m, these are offset by an actuarial loss on the pension fund assets/liability of £57.154m.

The surplus on the provision of services of £18.852m compares to a surplus of £53.182m for 2010-11. The main factors contributing to these changes are as follows:

- Taxation and Non-Specific Grant Income decreased from £279.925m to £272.546m a decrease of £7.379m (2.6%). This reduction in income reflects the Councils share of the overall national reduction in funding for public services.
- Financing and Investment Income and Expenditure fell from £15.670m in 2010-11 to £15.316m in 2011-12 a reduction of £0.354m (2.2%). The reduction is due to an increase in interest payable and similar charges, partly offset by an increase in the expected return on pension assets.
- Other Operating Income and Expenditure decreased from £1.453m in 2010-11 to £1.396m in 2011-12 a reduction of £0.057m (3.9%). This is due to an increase in the loss on disposal of long term assets offset by a decrease in other operating income and expenditure as a result of additional income recovered in relation to VAT reclaims made under the "Fleming" case law principle.

- The Net Cost of Services has increased from £209.620m in 2010-11 to £236.982m in 2011-12 an increase of £27.362m (13.1%). This is an increase in expenditure in accounting terms and does not represent a true increase in spend on services by the Council. The main reason for this being a credit of £42.187m to Non Distributed costs in 2010-11 for a reduction in the Pension Liability, this adjustment was the one-off impact on the pension liability as a result of the basis for future pension increases being linked to the Consumer Price Index (CPI).

Balance Sheet

As indicated above the accounting net worth of the Council has decreased by £32.803m from £212.980m at 31 March 2011 to £180.177m at 31 March 2012.

The value of long term assets has increased from £479.957m at 31 March 2011 to £489.135m at 31 March 2012, an increase of £9.178m (1.9%). This comprises the net of an overall upward revaluation of fixed assets, capital expenditure in the year, less the value of long term assets disposed.

Total current assets have increased from £47.527m at 31 March 2011 to £53.303m at 31 March 2012 an increase of £5.776m. The main reason for this being a decrease in Cash and Cash Equivalents of £14.959m from £30.446m at 31 March 2011 to £15.487m at 31 March 2012, offset by an increase in short term investments of £20.000m.

Total current liabilities have reduced from £44.446m at 31 March 2011 to £40.621m at 31 March 2012 a reduction of £3.825m. Short term creditors have fallen from £37.423m to £35.510m. In addition there has been a decrease in provisions of £1.845m, which relates to the settling of equal pay claims and severance costs associated with employees leaving the Council under redundancy and early retirement.

Overall, long term liabilities have increased from £270.058m at 31 March 2011 to £321.640m at 31 March 2012. The increase of £51.582m is primarily due to the increase in the IAS19 valuation of the pension scheme liability from £26.227m to £79.092m.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. The Cash and Cash Equivalents balance at 31 March 2011 was £30.446m and decreased by £14.959m to £15.487m at 31 March 2012. The Net Cash Flows from Operating Activities have decreased from £19.340m at 31 March 2011 to £6.538m at 31 March 2012, this decrease of £12.802m represents a decrease in the Councils income funded from taxation and grant income. Cash outflows for Investment Activities have increased from £6.968m during 2010-11 to £21.570m in 2011-12, as a result of placing £20m of surplus cash on investment. Cash flows from Financing Activities were a cash inflow of £14.724m during 2010-11 and a net cash inflow during 2011-12 of £0.073m, this decrease relates to new borrowing during 2010-11.

Pension Liability

As noted above the IAS19 valuation of the pension scheme liability has increased from £26.227m at 31 March 2011 to £79.092m at 31 March 2012. This pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2012.

These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received, for example, in ten years time, since the money received now could be invested and would earn interest or returns during the ten years. In order to adjust the pension liability cash flows for the time value of money, a discount factor based on corporate bonds is used. The corporate bond rate used for discounting scheme liabilities in the valuation as at 31 March 2012 (4.8%) is significantly lower than that used at 31 March 2011 (5.5%). This has contributed to a significant increase in the estimated current value of the pension liability.

Hymans Robertson (Independent Actuaries) were instructed by Glasgow City Council, the administering authority to the Strathclyde Pension Fund, to undertake calculations in respect of the Local Government Pension Scheme on behalf of Argyll and Bute Council as at 31 March 2012. Their calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under IAS19, issued by the Institute and the Faculty of Actuaries.

Significant Trading Organisations

Councils are required to identify their Significant Trading Organisations. Significant Trading Organisations must achieve a breakeven financial position over a rolling three year period. Information on the financial performance of Significant Trading Organisations is given in the Accounts and this is laid out in note 8 of the Notes to the Core Financial Statements on page 57. During 2011-12 the Roads and Lighting trading account achieved a surplus of £0.357m. It achieved a rolling breakeven position with a three year surplus of £2.029m. The Catering & Cleaning trading account returned a surplus of £0.322m for the year, and it achieved a rolling breakeven position with a three year surplus of £1.308m. Any surplus or deficit on trading organisations is treated as part of the General Fund.

Capital Expenditure and Borrowing

Local authority capital expenditure and borrowing is regulated by the Prudential Code, a regime of self-regulation. Under the Prudential Code of Practice the Council must ensure that:

- Capital expenditure plans are affordable;
- Borrowing is sustainable and prudent; and
- Treasury management reflects good professional practice.

The Council approved a set of prudential indicators for 2011-12 and managed capital expenditure and borrowing within these approved limits.

Capital expenditure was incurred across a range of services enhancing the value, useful life or working capacity of the Council's assets. This included investments in schools, offices, other premises and facilities, information technology and roads. Details of capital expenditure are as follows:

		£'m
Gross Capital Expenditure		25.575
Less:	Capital Receipts	0.190
	Government Grants and Other Contributions	11.479
	Revenue Contributions	0.124
Balance Funded from Borrowing		**13.782**

The capital financing requirement at 31 March 2012 was £256.617m. This was financed as follows:

	£'m
Long Term Borrowing	160.210
Short Term Borrowing	0.553
Schools NPDO Finance Lease Liability	82.576
Internal Funds	13.278
	256.617

The external borrowing of the Council at 31 March 2012 amounted to £160.763m. The majority of this was financed by the Public Works Loan Board (£108.066m), with the remainder coming mainly from the money market.

During the year the Council completed £0.209m of new external borrowing. This was used to finance capital expenditure incurred during the year. The Council also repaid loans of £0.167m.

PROVISIONS AND CONTINGENT LIABILITIES

The Council has a number of significant balances held as provisions on the balance sheet, including:

- Severance costs – a number of employees have either taken or been offered a redundancy package as part of the Council Modernisation programme. A provision of £1.388m has been created in 2011-12 for the termination benefits for employees who have accepted redundancy but are not planned to leave until after 31 March 2012. Termination costs for all Council employees who have accepted redundancy by 31 March 2012 have been accounted for in 2011-12 or in previous years, there are only two groups of employees where there is insufficient information to allow for redundancy costs to estimated reliably, therefore no financial provision can be made for these costs. An element of the General Fund balance has been earmarked to accommodate these costs as and when the outstanding issues are resolved.
- Equal Pay - the Council is nearing agreement on the final settlement for Equal Pay claims. A provision is held for claims where settlement offers have been made and a reliable estimate could be made of the liability. There are further outstanding claims where the settlement amount cannot be estimated reliably enough to provide for the costs.
- Utilities Provision – a total of £0.781m has been provided for during 2011-12 to cover the cost of a potential liability in relation to discrepancies in charges for utility costs.

GROUP ACCOUNTS

Group Accounts have been prepared and show a change from a net asset position at 31 March 2011 to a net liability position at 31 March 2012. This reduction in net assets is primarily due to an increase in the pension liability for the Council. In terms of the overall position of the Group Accounts being a net liability compared to the net asset position of the single entity accounts, this is a result of the Police and Fire Pension Schemes being unfunded and reflects the proper accounting treatment as determined by IAS19. The technical accounting treatment has no impact on the underlying basis for meeting the Police and Fire Boards' current and on-going pension liabilities. These will continue to be met from government grants and contributions from constituent authorities.

Further information regarding these pension deficits can be found in Note 5 to the Group Accounts on page 106.

The following statements make up the "Group Accounts" for the Council:

- The Group Movement in Reserves Statement shows the movement in the year of the different reserves the Council holds, along with the movement in the Council's share of the reserves of its associates.
- The Group Comprehensive Income and Expenditure Statement combines the Income and Expenditure Figures for the Council with the Council's share of the operating results of each associate.
- The Group Balance Sheet brings together all the assets and liabilities of the group, and combines the Council's assets and liabilities with its share of each associate's net assets or liabilities.
- The notes to the Group Accounts give further information on the Council's group accounts.

FUTURE OUTLOOK

The outlook for all public sector organisations is challenging. The Council established a Transformation Board to oversee its major change programme. A key element of this is a 3 year programme of service reviews which have been set targets to identify potential savings of between 15% and 20%. These reviews are a key element in identifying the savings to balance the Council budget.

The Council has adopted a strategic 3 year approach to managing its budgetary position and has prepared budgets for the period to 2014-15. The Council received a 3 year settlement of funding from the Scottish Government for this period. The table below summarises the Council revenue budget plan for the 3 years to 2014-15:

	2012-13 £m	2013-14 £m	2014-15 £m
Base Expenditure Budget for Services	261.355	262.769	267.277
Revenue Contribution to Capital Budget	0.921	4.216	0.869
Budget Savings Agreed	(6.425)	(7.861)	(8.750)
Efficiency Savings to be Allocated	-	(1.595)	(3.641)
Revenue Expenditure on Services	**255.851**	**257.529**	**255.755**
Funding	259.611	257.529	255.769
Annual Surplus/(Deficit)	**3.760**	**0**	**0.014**

The overall financial profile in terms of the impact on the General Fund is a surplus of £3.760m in 2012-13, a balanced position in 2013-14 and a surplus of £0.014m in 2014-15. The net of any surplus or deficit position across the 3 years would be allocated to the General Fund balance. At the end of year 3 (2014-15), the Council have planned for a level of expenditure on services which should be sustainable going forward.

The surplus generated during 2012-13 has been planned to offset the anticipated deficit in 2011-12. This is due to the profile of the payment of severance costs for employees, to ensure that the one-off impact of these costs during 2011-12 are re-paid into the general fund balance in future years. All of the severance costs in relation to service reviews have been accounted for within 2011-12 or previous years, with the exception of two specific employee groups where sufficient information was not available to make provision for the likely costs.

The budget savings agreed include all savings planned as part of the 3 year programme of service reviews. The Scottish Government budget contained a commitment to on-going efficiency savings in the public sector. The Council has recognised this in the 3 year budget plan and these additional efficiency savings have been factored into the 2013-14 and 2014-15 budgets.

The 3 year capital plan has been agreed by the Council for the period to 2014-15, the table below summarises the capital budget plans for the 3 years to 2014-15:

	2012-13 £m	**2013-14 £m**	**2014-15 £m**
Total Capital Expenditure	**42.644**	**38.432**	**39.312**
Funded by:			
Borrowing	28.248	16.649	22.944
Capital Grant	9.656	8.907	13.278
Contribution from Smoothing Funds	3.819	6.460	2.221
Contribution from Revenue Budget	0.921	4.216	0.869
Capital Receipts	-	2.200	-

The Council in common with many other organisations is facing a period of significant financial challenge. However it moves forward from a sound financial base in terms of reserves and control of expenditure and with clear plans to maintain financial sustainability. The financial position will be monitored on an on-going basis during 2012-13 and the revenue budget and capital plan reviewed for 2013-14.

Bruce West
Head of Strategic Finance
28 June 2012

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Strategic Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the audited Statement of Accounts at a meeting of the Council within two months of receipt of the audit certificate.

THE HEAD OF STRATEGIC FINANCE'S RESPONSIBILITIES

The Head of Strategic Finance is responsible for the preparation of the Council's Statement of Accounts, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice), are required to show a true and fair view of the financial position of the Council as at 31 March 2012 and its income and expenditure for the year ended on that date.

In preparing this statement of accounts, the Head of Strategic Finance has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code of Practice 2011-12.

The Head of Strategic Finance has also:

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

This Statement of Accounts show a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2012.

Bruce West
Head of Strategic Finance
28 June 2012

BACKGROUND

Argyll and Bute Council conducts its business in accordance with the law and proper standards. The Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to the economic, efficient and effective use of public money.

In discharging these responsibilities, the Council has put in place proper arrangements for the governance of its affairs and the stewardship of the resources at its disposal. The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Note for Scottish Authorities – Delivering Good Governance in Local Government (2007).

A copy of the Code may be obtained from the Head of Governance and Law, Kilmory, Lochgilphead, PA31 8RT.

THE GOVERNANCE FRAMEWORK

The Code of Corporate Governance details how the Council will demonstrate compliance with the fundamental principles of Corporate Governance for public sector bodies to the following six headings:

- Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

GOVERNANCE ROLES AND RESPONSIBILITIES

Argyll and Bute Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The Executive Director of Customer Services as Monitoring Officer has responsibility for:

- Overseeing the implementation of the Code of Corporate Governance and monitoring its operation; and
- Reporting annually to the Council on compliance with the Code and any changes required to maintain it and ensure its effectiveness

Account has been taken of the results of reviews of internal control that have been carried out within each Council Service. Specific responsibilities are assigned to the Head of Strategic Finance to ensure that public funds are properly accounted for.

INTERNAL FINANCIAL CONTROL

In ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned, this statement also covers the other bodies whose activities are incorporated into our Group Accounts, i.e.

- Strathclyde Joint Police Board
- Strathclyde Fire and Rescue Joint Board
- Dunbartonshire and Argyll & Bute Valuation Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee

The system of internal financial control can provide only 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 a timely period.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council and the above named bodies. In particular the system includes:

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Council and the above named bodies;
- Regular reviews by the Council and the above named bodies of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance; and
- The preparation of regular financial reports which indicate actual expenditure against the forecasts.

RISK MANAGEMENT

The Council's Risk Management and Business Continuity Strategy continue to be developed and the Head of Strategic Finance has reported regularly to the Audit Committee to assist in their assessment of internal control, risk and governance arrangements.

INTERNAL AUDIT

Argyll and Bute Council and the above named bodies have an internal audit function, which operates to standards defined in the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The work of internal audit is informed by an analysis of the risk to which the Council and the above named bodies are exposed, and annual internal audit plans are based on the analysis. The Council's and the named bodies' Audit Committees endorse the analysis of risk and the internal audit plans.

The Chief Internal Auditor provides the Audit Committee with an annual report on internal audit activity in the Council. The report includes the Chief Internal Auditor's independent opinion on the adequacy and effectiveness of the Council's systems of governance and internal control.

ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for further development:

- The continued development of performance management throughout the Council by embedding links between corporate and service outcomes and the performance scorecards;

- Improving self-assessment through the rollout of PSIF and using the results to drive continuous improvement;
- Further development of the approach to risk management integrated as part of planning and performance management framework;
- Ongoing development of asset management to improve the availability and use of performance management information for assets;
- Action the Corporate Governance Improvement Plan;
- Development of partnership agreements for key partners; and
- Maintain the quality of services in a time of budget savings and service review.

ASSURANCE

The review of the effectiveness of the system of governance and internal financial control is informed by:

- The work of officers within the Council;
- The work of Internal Audit as described above;
- The work of External Audit;
- The Statements of Governance and/or Internal Control provided by the bodies incorporated into our Group Accounts;
- External review and inspection reports; and
- Recommendations from the Audit Committee.

It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council and the aforementioned bodies during 2011-12 and that there are no significant weaknesses. This assurance is limited, however, to the work undertaken during the year and the evidence available at the time of preparing this statement.

Roddy McCuish **Leader**	Sally Loudon **Chief Executive**	Bruce West **Head of Strategic Finance**

28 June 2012

BACKGROUND

The Local Authority Accounts (Scotland) Amendment Regulations 2011 amended the Local Authority Accounts (Scotland) Regulations 1985 and required Scottish Local Authorities to prepare a Remuneration Report for the first time in 2010-11 as part of its annual Financial Statements.

REMUNERATION POLICY AND ARRANGEMENTS

Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as the Leader of the Council, the Civic Head (Provost), senior councillors or councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The Regulations also provide for the banding of local authorities – Argyll and Bute is in Band B, the Council has determined the level of remuneration for councillors within that banding. The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2011-12 the salary for the Leader of Argyll and Bute Council is £32,470. The Regulations permit the council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to that Civic Head. The Council's Civic Head is The Provost and his remuneration is set at £24,353 which is the maximum allowed for Local Authorities in Band B.

The Regulations also set out the remuneration that may be paid to senior councillors in addition to the Leader and Civic Head and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a senior councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its senior councillors shall not exceed £284,116. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors up to a maximum of 14 and their salary within these maximum limits. The Council's policy is to pay the maximum salary of £24,353 to each appointed spokesperson and the Chair of the Protective Services and Licensing Committee. Chairs of Area Committees without a spokesperson's remit are paid a salary of £19,962. The Leader of the largest opposition group is paid a salary of £19,962.

In 2011-12 Argyll and Bute Council had 12 senior councillors. The total remuneration for senior councillors during 2011-12 was £279,063. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Argyll and Bute Council for the period 2008 to 2012. The salaries of the Executive Directors and Heads of Service are based on a fixed percentage of the Chief Executive's salary in two bandings. Executive Directors receive 80% of the amount of the Chief Executive's salary and Heads of Service 75% of Executive Director's salary. This equates to Chief Officers Salary Scale Point (SCP) 43 for Executive Directors and SCP 29 for Heads of Service.

COUNCILLORS' REMUNERATION

Payments to councillors are made in accordance with the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007 and The Local Government (Allowances and Expenses) (Scotland) Regulations 2007.

The total amount of councillors' remuneration paid by the Council during the year was:

Members Allowances	2011-12 Actual £'000	2010-11 Actual £'000
Basic Councillor Salaries	345	368
Senior Councillor Salaries (Includes Salary of Leader and Provost)	335	319
Other Expenses and Allowances paid to Members	161	180
Total Allowances	**841**	**867**

The annual return of councillors' salaries and expenses for 2011-12 is available for any member of the public to view at all Council libraries and public offices during normal working hours. It is also available on the Council's website at **http://www.argyll-bute.gov.uk/council-and-government/councillors-and-community-councillors**.

SENIOR COUNCILLORS' REMUNERATION

Additional disclosures are required for senior councillors' remuneration. Senior councillors' remuneration is in accordance with the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007 which for the purpose of remuneration, grades Councillors as either the Leader of the Council, The Civic Head (Provost), senior councillors or councillors.

Details of senior councillors' remuneration are as follows:

Senior Members	2011-12				2010-11
	Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £	Total Remuneration £
Provost - Councillor William Petrie	24,353	(377)	-	**23,976**	24,933
Leader - Councillor Dick Walsh	32,470	565		**33,035**	34,537
Education and Lifelong Learning Spokesperson - Councillor Isobel Strong (to 25-11-10)	-	-	-	-	17,303
Education and Lifelong Learning Spokesperson - Councillor Ellen Morton (from 06-12-10)	24,353	(354)	-	**23,999**	7,022
Leader of the Opposition - Councillor Ellen Morton (to 25-11-10)	-	-	-	-	14,183
Economy, Environment and Rural Affairs Spokesperson - Councillor Robert Macintyre (to 25-11-10)	-	-	-	-	17,303
Leader of the Opposition - Councillor Robert Macintyre (from 06-12-10)	19,962	(254)		**19,708**	6,066
Housing and Communities Spokesperson - Councillor George Freeman (to 25-11-10)	-	-	-	-	17,829
Transport and Infrastructure Spokesperson - Councillor Duncan MacIntyre	24,353	(45)	-	**24,308**	24,686
Islands and European Affairs Spokesperson (to 06-12-10), **European Issues Spokesperson** (from 06-12-10) - Councillor Len Scoullar	24,353	65	-	**24,418**	24,793

Senior Members	2011-12 Salary, Fees and Allowances £	2011-12 Taxable Expenses £	2011-12 Non-cash Expenses & Benefits-in-kind £	2011-12 Total Remuneration £	2010-11 Total Remuneration £
Rural and Island Affairs, Housing and Gaelic Spokesperson - Councillor Robin Currie (from 06-12-10)	24,353	(324)	-	**24,029**	7,022
Social Services Spokesperson - Councillor Donald McIntosh (to 25-11-10)	-	-	-	-	17,425
Social Services Spokesperson - Councillor Andrew Nisbet (from 06-12-10)	24,353	(155)	-	**24,198**	7,022
Third Sector Spokesperson - Councillor John Semple (to 25-11-10)	-	-	-	-	17,948
Third Sector and Communities Spokesperson - Councillor Rory Colville (from 06-12-10)	24,353	(380)	-	**23,973**	7,022
Enterprise, Energy, Culture and Tourism Spokesperson - Councillor Neil MacKay (from 06-12-10)	24,353	(295)	-	**24,058**	7,022
Chair - Helensburgh and Lomond Area Committee -Vivien Dance (from 06-12-10)	19,962	(292)	-	**19,670**	5,756
Chair - Bute and Cowal Area Committee - Councillor Bruce Marshall **Environment Spokesperson** - Councillor Bruce Marshall (from 06-12-10)	24,353	200	-	**24,553**	21,740
Chair - Mid Argyll, Kintyre & Islands Area Committee - Councillor Donald MacMillan	19,962	(330)	-	**19,632**	19,962
Chair - Protective Services and Licensing Committee - Councillor Daniel Kelly	24,353	315	-	**24,668**	24,721

EMPLOYEES' REMUNERATION

The Local Authority Accounts (Scotland) Regulations 1985 (Amended 2011) requires local authorities to provide an analysis of the number of employees whose remuneration in the year was £50,000 or more, including those classified as senior employees who are subject to separate disclosure requirements. The definition of remuneration includes all sums paid to or receivable by an employee, expense allowances chargeable to tax and the monetary value of benefits received other than in cash. This definition therefore includes all payments made to the employee in respect of agreed employment terminations or retirements. However, employer pension contributions are excluded from the definition.

Readers should be aware when making comparisons between years that, due to contractual incremental pay increases, the number of employees covered by this disclosure will increase each year. In addition, payments made in respect of agreed employment terminations or retirements can also distort the number and/or banding of employees.

The number of employees whose remuneration, excluding employer pension contributions and including redundancy/retirement payments, that was £50,000 or more in bands of £5,000 was:

Range £	2011-12 Number of Officers	2010-11 Number of Officers
£50,000 - £54,999	25	29
£55,000 - £59,999	20	21
£60,000 - £64,999	3	4
£65,000 - £69,999	14	18
£70,000 - £74,999	1	2
£75,000 - £79,999	2	4
£80,000 - £84,999	-	1
£85,000 - £89,999	-	-
£90,000 - £94,999	3	2
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	1
£115,000 - £119,999	1	1
Total	**69**	**83**

As a result of the Council modernisation programme a number of officers received redundancy payments during 2010-11. This was still on-going during 2011-12 and the employees above include a number of employees receiving redundancy payments.

SENIOR EMPLOYEES' REMUNERATION

The Local Authority Accounts (Scotland) Regulations 1985 (Amended 2011) requires the separate disclosure and analysis of remuneration for senior employees (defined by the regulations) as those employees forming part of the Council's senior management team, or holding certain statutory posts, whose salary is over £50,000 and any additional employee whose salary is over £150,000).

In 2011-12 there were no employees earning more than £150,000.

The following table sets out the remuneration disclosures for 2011-12 for senior officers:

Post Holder	Salary (Including Fees and Allowances) £	Taxable Expenses £	Benefits other than in cash £	Total Remuneration 2011/12 £	Total Remuneration 2010-11 £
Chief Executive - Sally Loudon	118,017	2,309	-	**120,326**	**118,239**
Executive Director of Community Services - Cleland Sneddon (from 17-05-10) *(Full year equivalent)*	92,770	4,343	-	**97,113**	**78,342** ***(92,625)***
Executive Director of Customer Services - Douglas Hendry	92,516	603	-	**93,119**	**93,173**
Executive Director of Development and Infrastructure Services - Sandy MacTaggart	92,770	(264)	-	**92,506**	**92,433**
Head of Strategic Finance (Section 95 Financial Officer) - Bruce West	68,539	820	-	**69,359**	**69,309**
Head of Adult Care (Section 3 Social Work Officer) - James Robb (from 12-11-11)	68,728	(1,099)	-	**67,629**	**-**
Head of Children and Families (Section 3 Social Work Officer) - Dougie Dunlop (to 11-11-11)	48,078	113	-	**48,191**	**69,178**
Head of Improvement and HR - Jane Fowler	68,728	-	-	**68,728**	**68,764**

The Chief Executive's salary of £118,017 includes £4,796 of remuneration for acting as Returning Officer during 2011-12 and £3,241 of remuneration for the role is included for 2010-11.

The senior employees included in the table include any local authority employee:

- Who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with another person;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration is £150,000 or more.

PENSION BENEFITS

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for both councillors and employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members contribution rates for 2011-12 remain at the 2010-11 rates and are as follows:

Whole time pay	Contribution Rate 2011-12	Contribution Rate 2010-11
On earnings up to and including £18,000	5.50%	5.50%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.50%	8.50%
On earnings above £30,000 and up to £40,000	9.50%	9.50%
On earnings above £40,000	12.00%	12.00%

If a person works part-time their contribution is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their local government service, and not just their current appointment.

SENIOR COUNCILLORS' PENSION BENEFITS

The pension entitlements for senior councillors for the year to 31 March 2012 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

Senior Members	In-year pension contributions			Accrued pension benefits	
	For year to 31 March 2012 £	For year to 31 March 2011 £		As at 31 March 2012 £	Difference from 31 March 2011 £
Education and Lifelong Learning Spokesperson (from 06-12-10) **and Leader of the Opposition** (to 25-11-10) - Councillor Ellen Morton	4,678	3,844	Pension	1,514	436
			Lump Sum	*1,468*	118
Housing and Communities Spokesperson - Councillor George Freeman (to 25-11-10)	3,118	3,983	Pension	1,733	335
			Lump Sum	*1,680*	(72)
Islands and European Affairs Spokesperson (to 06-12-10), **European Issues Spokesperson** (from 06-12-10) - Councillor Len Scoullar	4,678	4,414	Pension	1,520	430
			Lump Sum	*1,475*	77
Rural and Island Affairs, Housing and Gaelic Spokesperson - Councillor Robin Currie (from 06-12-10)	4,678	3,365	Pension	1,219	428
			Lump Sum	*707*	80
Social Services Spokesperson - Councillor Andrew Nisbet (from 06-12-10)	4,678	3,365	Pension	1,332	428
			Lump Sum	*1,084*	112
Third Sector Spokesperson Councillor John Semple (to 25-11-10)	3,118	3,983	Pension	1,463	319
			Lump Sum	*1,418*	(16)
Third Sector and Communities Spokesperson - Councillor Rory Colville (from 06-12-10)	4,678	3,365	Pension	1,423	431
			Lump Sum	*1,380*	137
Enterprise, Energy, Culture and Tourism Spokesperson - Councillor Neil MacKay (from 06-12-10)	4,678	3,365	Pension	1,193	416
			Lump Sum	*1,157*	184
Chair - Helensburgh and Lomond Area Committee -Vivien Dance (from 06-12-10)	3,834	3,135	Pension	1,337	364
			Lump Sum	*1,297*	78
Chair - Bute and Cowal Area Committee and Spokesperson for the Environment (from 06-12-10)- Councillor Bruce Marshall	4,678	3,844	Pension	1,629	436
			Lump Sum	*1,580*	117

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment.

SENIOR EMPLOYEES' PENSION BENEFITS

The pension entitlements for senior employees for the year to 31 March 2012 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

Senior Officers	In-year pension contributions			Accrued pension benefits	
	For year to 31 March 2012 £	For year to 31 March 2011 £		As at 31 March 2012 £	Difference from 31 March 2011 £
Chief Executive - Sally Loudon	22,248	21,085	Pension	32,432	4,033
			Lump Sum	*71,517*	*(2,050)*
Executive Director of Community Services - Cleland Sneddon (from 17-05-10)	17,792	14,028	Pension	26,720	5,772
			Lump Sum	*66,252*	*11,117*
Executive Director of Customer Services - Douglas Hendry	17,828	16,812	Pension	35,498	1,544
			Lump Sum	*92,624*	-
Executive Director of Development and Infrastructure Services - Alexander MacTaggart (from 01-04-10)	17,792	16,619	Pension	10,986	1,648
			Lump Sum	*19,052*	*202*
Head of Strategic Finance (Section 95 Financial Officer) - Bruce West	13,200	12,448	Pension	27,208	1,142
			Lump Sum	*71,358*	-
Head of Adult Care (Section 3 Social Work Officer) - James Robb (from 12-11-11)	13,174	12,437	Pension	23,741	1,131
			Lump Sum	*60,936*	*(31)*
Head of Children and Families (Section 3 Social Work Officer) - Douglas Dunlop (to 11-11-11)	9,197	12,437	Pension	22,507	743
			Lump Sum	*58,399*	*(31)*
Head of Improvement and HR (Direct report to Chief Executive) - Jane Fowler	13,174	12,437	Pension	19,213	1,137
			Lump Sum	*47,343*	*(25)*

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment.

EMPLOYEE EXIT PACKAGES

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12 £	2010/11 £
£0 - £20,000	57	45	32	142	89	187	537,633	1,526,139
£20,001 - £40,000	5	4	21	43	26	47	742,290	1,288,006
£40,001 - £60,000	4	3	20	12	24	15	1,190,222	721,575
£60,001 - £80,000	1	1	14	8	15	9	1,024,812	621,579
£80,001 - £100,000	1	-	4	3	5	3	444,518	258,508
£100,001 - £150,000	1	-	4	2	5	2	652,553	219,487
£150,001 - £200,000	1	-	2	1	3	1	366,183	249,655
Total	**70**	**53**	**97**	**211**	**167**	**264**	**4,958,210**	**4,884,950**

The total cost of £4.958m in the table above includes exit packages that have been agreed and charged to the Council's Comprehensive Income and Expenditure Statement in the current year. These costs include all exit packages agreed by 31 March in each year, this does not necessarily mean that these payments have been made, for example an employee could have subsequently been re-deployed to an alternative post within the Council. The Council's Balance Sheet includes a provision at 31 March 2012 of £1.779m, this represents the amount which has yet to be paid out by the Council, this amount is included within the bands above.

The supplementary Termination Benefits Note 33 on page 89 provides more information on the exit packages agreed in the two financial years.

Roddy McCuish
Leader

Sally Loudon
Chief Executive

28 June 2012

Statement of Movement in Reserves

Movements in 2011-12	Usable Reserves (Note 31)				Unusable Reserves (Note 30)						
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumu-lated Absences Account	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2011	**(33,907)**	**(497)**	**(2,972)**	**(37,376)**	**(51,895)**	**(163,123)**	**26,227**	**6,006**	**7,181**	**(175,604)**	**(212,980)**
(Surplus)/Deficit on Provision of Services	(18,852)			**(18,852)**						-	**(18,852)**
Other Comprehensive Expenditure and Income					(5,499)		57,154			**51,655**	**51,655**
Total Comprehensive Expenditure and Income	**(18,852)**	**-**	**-**	**(18,852)**	**(5,499)**	**-**	**57,154**	**-**	**-**	**51,655**	**32,803**
Adjustments between accounting basis and funding basis under regulations:											
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost.				-	2,177	(2,177)				-	-
Amortisation of Intangible Assets	(129)			**(129)**		129				**129**	-
Depreciation of Non-current Assets	(18,309)			**(18,309)**		18,309				**18,309**	-
Impairment of Non-current Assets	(3,494)			**(3,494)**		3,494				**3,494**	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	11,479			**11,479**		(11,479)				**(11,479)**	-
Capital Expenditure Charged to the General Fund	124			**124**		(124)				**(124)**	-
Net Gain or Loss on Sale of Non-current Assets	(442)		(190)	**(632)**		632				**632**	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	372			**372**				(372)		**(372)**	-
Employee Benefits	2,832			**2,832**					(2,832)	**(2,832)**	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	4,289			**4,289**			(4,289)			**(4,289)**	-

Statutory Repayment of Debt - Loans Fund Advances	19,915			**19,915**		(19,915)				**(19,915)**	-
Statutory Repayment of Debt - Finance Leases	157			**157**		(157)				**(157)**	-
Statutory Repayment of Debt - NPDO Finance	1,412			**1,412**		(1,412)				**(1,412)**	-
Total Statutory Adjustments	**18,206**	**-**	**(190)**	**18,016**	**2,177**	**(12,700)**	**(4,289)**	**(372)**	**(2,832)**	**(18,016)**	**-**
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	**(646)**	**-**	**(190)**	**(836)**	**(3,322)**	**(12,700)**	**52,865**	**(372)**	**(2,832)**	**33,639**	**32,803**
Other Transfers required by Statute											
Transfer to/from Other Statutory Reserves	(19)	(35)	70	16		(16)				(16)	-
(Increase)/Decrease in Year	**(665)**	**(35)**	**(120)**	**(820)**	**(3,322)**	**(12,716)**	**52,865**	**(372)**	**(2,832)**	**33,623**	**32,803**
Balance at 31 March 2012 Carried Forward	**(34,572)**	**(532)**	**(3,092)**	**(38,196)**	**(55,217)**	**(175,839)**	**79,092**	**5,634**	**4,349**	**(141,981)**	**(180,177)**

This Statement shows the movement in the 2011-12 financial year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(Surplus) or Deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net (Increase) /Decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comparative Movements in 2010-11	Usable Reserves (Note 31)				Unusable Reserves (Note 30)						
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumulated Absences Account	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	**(33,851)**	**(475)**	**(2,977)**	**(37,303)**	**(46,059)**	**(150,275)**	**107,969**	**6,378**	**7,064**	**(74,923)**	**(112,226)**
(Surplus)/Deficit on Provision of Services	(53,182)			**(53,182)**						**0**	**(53,182)**
Other Comprehensive Expenditure and Income					(8,592)		(38,980)			**(47,572)**	**(47,572)**
Total Comprehensive Expenditure and Income	**(53,182)**	**-**	**-**	**(53,182)**	**(8,592)**	**-**	**(38,980)**	**-**	**-**	**(47,572)**	**(100,754)**
Adjustments between accounting basis and funding basis under regulations:											
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost.				**-**	2,756	(2,756)				**-**	**-**
Amortisation of Intangible Assets	(127)			**(127)**		127				**127**	**-**
Depreciation and of Non-current Assets	(15,318)			**(15,318)**		15,318				**15,318**	**-**
Impairment of Non-current Assets	(4,252)			**(4,252)**		4,252				**4,252**	**-**
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure	7,094			**7,094**		(7,094)				**(7,094)**	**-**
Capital Expenditure Charged to the General Fund	915			**915**		(915)				**(915)**	**-**
Net Gain or Loss on Sale of Non-current Assets	(201)		(174)	**(375)**		375				**375**	**-**
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	372			**372**				(372)		**(372)**	**-**
Employee Benefits	(117)			**(117)**					117	**117**	**-**
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	42,762			**42,762**			(42,762)			**(42,762)**	**-**

Advances	20,416			**20,416**		(20,416)				**(20,416)**	-
Statutory Repayment of Debt - Finance Leases	339			**339**		(339)				**(339)**	-
Statutory Repayment of Debt - NPDO Finance	1,388			**1,388**		(1,388)				**(1,388)**	-
Total Statutory Adjustments	**53,271**	**-**	**(174)**	**53,097**	**2,756**	**(12,836)**	**(42,762)**	**(372)**	**117**	**(53,097)**	**-**
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	**89**	**-**	**(174)**	**(85)**	**(5,836)**	**(12,836)**	**(81,742)**	**(372)**	**117**	**(100,669)**	**(100,754)**
Other Transfers required by Statute											
Transfer to/from Other Statutory Reserves	(145)	(22)	179	12		(12)				(12)	-
(Increase)/Decrease in Year	**(56)**	**(22)**	**5**	**(73)**	**(5,836)**	**(12,848)**	**(81,742)**	**(372)**	**117**	**(100,681)**	**(100,754)**
Balance at 31 March 2011 Carried Forward	**(33,907)**	**(497)**	**(2,972)**	**(37,376)**	**(51,895)**	**(163,123)**	**26,227**	**6,006**	**7,181**	**(175,604)**	**(212,980)**

This Statement shows the movement in the 2010-11 financial year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(Surplus) or Deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net (Increase) /Decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Statement of Comprehensive Income and Expenditure

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, 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. The taxation position is shown in the Movement in Reserves Statement.

2010-11					2011-12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Service	Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
111,299	8,442	102,857	Education Services		102,527	7,013	95,514
40,024	25,465	14,559	Housing Services (Non-HRA)		31,336	26,615	4,721
13,649	2,629	11,020	Cultural and Related Services		12,143	2,449	9,694
21,812	4,223	17,589	Environmental Services		22,569	4,739	17,830
28,288	7,324	20,964	Roads and Transport Services		25,411	6,735	18,676
8,418	4,324	4,094	Trading Services		7,425	4,435	2,990
11,239	6,197	5,042	Planning and Development Services		10,452	5,845	4,607
63,461	12,652	50,809	Social Work		64,775	9,549	55,226
		-	Central Services:				
4,734	140	4,594	- Corporate and Democratic Core		3,945	17	3,928
(37,260)	2	(37,262)	- Non Distributed Costs		8,373	1	8,372
2,549	1,106	1,443	- Central Services to the Public		2,606	1,189	1,417
8,927	-	8,927	Strathclyde Police Joint Board		9,168	-	9,168
4,984	-	4,984	Strathclyde Fire and Rescue Joint Board		4,839	-	4,839
282,124	**72,504**	**209,620**	**Net Cost of Services**		**305,569**	**68,587**	**236,982**

		Other Operating Income and Expenditure:		
	201	Net (Gain)/loss on Disposal of Long Term Assets		442
	(82)	(Surplus)/deficit on trading undertakings		(46)
	1,334	Other Operating Income and Expenditure:	7	1,000
	1,453	**Total Other Operating Income and Expenditure**		**1,396**
		Financing and Investment Income and Expenditure:		
	18,070	Interest Payable and Similar charges		19,602
	(512)	Interest and Investment Income		(354)
	(1,888)	Pension Interest Cost and Expected Return on Pensions Assets		(3,932)
	15,670	**Total Financing and Investment Income and Expenditure**		**15,316**
		Taxation and Non-Specific Grant Income		
	(189,205)	General Government Grants		(187,818)
	(7,494)	Government Capital Grants and Other Capital Contributions	13	(11,837)
	(36,214)	Non-domestic Rates Redistribution		(25,582)
	(47,012)	Council Tax Income		(47,309)
	(279,925)	**Total Taxation and Non-Specific Grant Income**		**(272,546)**
	(53,182)	**(Surplus)/Deficit on Provision of Services**		**(18,852)**
	(8,592)	(Surplus)/Deficit on revaluation of Long Term Assets		(5,499)
	(38,980)	Actuarial (Gains)/Losses on Pension Assets/Liabilities		57,154
	(47,572)	**Other Comprehensive Income and Expenditure**		**51,655**
	(100,754)	**Total Comprehensive Income and Expenditure**		**32,803**

Balance Sheet

1 April 2010 £'000	31 March 2011 £'000		Note	31 March 2012 £'000	31 March 2012 £'000
		Long Term Assets			
		Property Plant & Equipment	15		
297,041	301,804	- Other Land and Buildings		299,309	
5,058	5,713	- Vehicles, Plant, Furniture and Equipment		6,784	
139,371	145,554	- Infrastructure Assets		153,761	
1,142	1,272	- Community Assets		1,338	
5,753	12,137	- Surplus Assets		5,117	
10,299	8,597	- Assets Under Construction		11,723	
458,664	**475,077**	Property Plant & Equipment			**478,032**
1,316	1,316	Heritage Assets	16		1,324
420	365	Intangible Assets	17		332
1,090	1,290	Investment Property	18		5,647
1,766	1,909	Long-Term Debtors	21		3,800
463,256	**479,957**	**Total Long Term Assets**			**489,135**
		Current Assets			
116	103	Inventories		516	
17,522	15,256	Short Term Debtors (Net of Impairment)	22	15,147	
8,679	1,722	Assets Held for Sale	23	2,153	
-	-	Short Term Investments		20,000	
3,350	30,446	Cash and Cash Equivalents	24	15,487	
29,667	**47,527**	**Total Current Assets**			**53,303**
		Current Liabilities			
(12,639)	(496)	Short-term Borrowing	26	(553)	
(40,242)	(37,423)	Short-term Creditors	25	(35,510)	
-	(280)	Capital Grant Receipts in Advance		(278)	
(1,088)	(4,676)	Provisions	28	(2,831)	
(1,727)	(1,571)	Other Short Term Liabilities	27	(1,449)	
(55,696)	**(44,446)**	**Total Current Liabilities**			**(40,621)**
		Long-term Liabilities			
(131,242)	(160,229)	Borrowing Repayable within a Period in Excess of 12 Months	26	(160,210)	
(84,937)	(83,367)	Other Long-term liabilities	27	(81,919)	
(853)	(235)	Provisions	28	(419)	
(107,969)	(26,227)	Other Long-term liabilities (Pensions)	29	(79,092)	
(325,001)	**(270,058)**	**Total Long-term Liabilities**			**(321,640)**
112,226	**212,980**	**Total Assets less Liabilities**			**180,177**

Balance Sheet

1 April 2010 £'000	31 March 2011 £'000		Note	31 March 2012 £'000	31 March 2012 £'000
		Unusable Reserves	30		
46,059	51,895	- Revaluation Reserve		55,217	
150,275	163,123	- Capital Adjustment Account		175,839	
(6,378)	(6,006)	- Financial Instruments Adjustment Account		(5,634)	
(107,969)	(26,227)	- Pensions Reserve		(79,092)	
(7,064)	(7,181)	- Accumulated Absences Account		(4,349)	
74,923	**175,604**				141,981
		Usable Reserves	31		
2,977	2,972	- Capital Funds		3,092	
475	497	- Repairs and Renewals Funds		532	
33,851	33,907	- General Fund Balance		34,572	
37,303	**37,376**				38,196
112,226	**212,980**	**Total Reserves**			**180,177**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:

- The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).
- The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold: and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

Bruce West
Head of Strategic Finance
28 June 2012

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amounts of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way taxation and grant income or from the recipients of services provided by the Council. 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. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2010-11 £'000		Note	2011-12 £'000
(53,182)	**Net (Surplus) or Deficit on the Provision of Services**		**(18,852)**
28,805	Adjustments to net surplus or deficit on the provision of services for non-cash movements		2,856
5,037	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		9,458
(19,340)	**Net Cash Flows from Operating Activities**	36	**(6,538)**
6,968	Investing Activities	37	21,570
(14,724)	Financing Activities	38	(73)
(27,096)	**Net Increase or Decrease in Cash and Cash Equivalents**		**14,959**
(3,350)	Cash and Cash Equivalents at the beginning of the Reporting Period		(30,446)
(30,446)	**Cash and Cash Equivalents at the end of the Reporting Period**	24	**(15,487)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2011-12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 and the Service Reporting Code of Practice for Local Authorities 2011-12 (S*e*RCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Changes in Accounting Policies, Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances.

1.5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. These transactions are reversed out through the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

1.6 Employee Benefits

1.6.1 Benefits Payable during Employment

Short-term benefits, such as wages and salaries, paid annual and sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

1.6.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.6.3 Post-Employment Benefits

The Council participates in two different pension schemes which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

a) Teachers

This is an unfunded scheme administered by the Scottish Government. This means that liabilities for the benefits provided cannot be identified by the Council. The scheme is therefore accounted for as if it were a defined contributions scheme where no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to the Scottish Government in the year.

b) Local Government Pension Scheme

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. This pension scheme is accounted for as a defined benefits scheme:

- The liabilities of the Strathclyde Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the indicative rate of return on a "high quality corporate bond of equivalent term and currency to the liability" (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years))
- The assets of the Strathclyde Pension Fund attributable to the Council are included in the balance sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value
- The change in the net pension's liability is analysed into seven components:
    - Current service cost – the increase in liabilities as a result of years service earned this year - allocated in the comprehensive Income and Expenditure Statement to the services for which the employees worked
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- Contributions paid to the Strathclyde Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council's Pension Fund in the year. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

1.6.4 Post Employment Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirements benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.7 Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – The Statement is not adjusted to reflect such events, but where a category of events would have a material disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.8 Exceptional Items

When items of income and expenditure are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Council's financial performance.

1.9 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying value of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of the restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable to revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

When capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

1.11 Heritage Assets

The main heritage assets held by the Council are two art collections and a historic jail and courthouse which is operated as a "living" museum. The "Argyll Collection" is an art collection which was set up to provide the young people of Argyll and Bute with direct access to a wide range of quality art recognising that they had limited access to museums and galleries. In addition the council holds other works of art which are held at various libraries and the Campbeltown Museum. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's main heritage assets are accounted for as follows:

The Art Collections

The collections covers a range of media including acrylic, charcoal, embroidery, engraving, etching, gouache, lithography, oil, pastel, pencil, procian dye, screenprint, monoprint, watercolour, woodcut, ceramic, bronze and woodcarving. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These valuations are updated periodically. The assets within the art collections are deemed to have indeterminate lives and a high residual value: hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant and recent information from sales at auctions.

Inveraray Jail and Courthouse and "Other" Historic Buildings

The building is owned by Argyll and Bute Council and leased out to an organisation which runs it as "living museum". The building is valued in accordance with its property, plant and equipment policy. Other buildings included in this category are McCaig's Folly in Oban and Castle Lodge in Dunoon.

Archaeology and "Other" Museum Exhibits

The Council does not consider reliable cost or valuation information can be obtained for archaeological items and "other" museum exhibits not comprising the art collections. This is because of the diverse nature of the assets held and lack of comparable values. Consequently, the Council does not recognise these assets on the balance sheet.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration of breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (see note 1.19.3 in this summary of significant accounting policies). The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory requirements relating to capital expenditure and receipts (see note 1.19.4 in this summary of significant accounting policies).

1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.13 Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates or joint ventures and requires to prepare Group Accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

1.14 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

1.15 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.16 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.16.1 The Council as Lessee

a) Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease liability and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

b) Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

1.16.2 The Council as Lessor

a) Finance Leases

Where the Council grants a finance lease over a property or an item of plant and equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A capital receipt for the disposal of the asset – applied to write down the Debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the movement in reserves statement. When the future rentals are received, the element for the capital receipt on disposal of the asset is used to write down the debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the movement in reserves statement.

b) Operating Leases

Where the Authority grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.17 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011-12 – Scotland (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation; and
- Non Distributed costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.18 Assets Held for Sale

Property, land and buildings are classified as *Assets Held for Sale* when the following criteria are met:

- The property is available for immediate sale in its present condition.
- The sale must be highly probable; and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year (although events or circumstances may extend the period to complete the sale beyond one year).

When these criteria are met, assets within the category of *Property, Plant and Equipment* will be reclassified as *Assets Held for Sale*.

1.19 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others or for administrative purposes that are expected to be used during more than one financial year are classified as *Property, Plant and Equipment*.

1.19.1 Recognition

Expenditure on the acquisition, creation, or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

1.19.2 Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Accounts. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets and community assets – depreciated historical cost
- All other assets – fair value, determined the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost is used as a proxy for fair value.

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

1.19.3 Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant Service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.19.4 Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an *Asset Held for Sale*. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as *Assets Held for Sale*.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Disposal receipts are categorised as capital receipts. All capital receipts are credited to the Capital Fund, 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). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the costs of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.19.5 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Where an asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.20 Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the fixed assets used under the contracts on the balance sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year, debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Annual Finance cost – this is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, this is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.21 Provisions, Contingent Liabilities and Contingent Assets

1.21.1 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

1.21.2 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.21.3 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.22 Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies above and Note 29 to the accounts.

1.23 VAT

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

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) by the Code will result in a change in accounting policy that requires disclosure in line with paragraph 3.3.4.3 of the Code.

The introduction of this standard will have no impact on the Council's 2012-13 financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect is detailed below:

Government Funding: There is a high degree of uncertainty about future levels of funding for local government. However, the Council had determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Service Concessions: The Council currently operates two Private Finance Initiative (PFI) or similar contracts which are accounted for as Service Concession arrangements under IFRIC12 – *Service Concession Arrangements*. The Council has determined that in the case of the Schools NPDO contract the Council has control over the services provided through use of the schools and that a qualifying asset has been created. The appropriate accounting treatment is to bring the assets "on balance sheet" along with a finance lease liability.

The Council also operates a Waste Management PPP contract. In this case the Council determined that a "qualifying asset" had not been created and that the Council did not have significant control over the services being provided. The appropriate accounting treatment was therefore determined to be "off balance sheet" and that payments to the contractor are charged to the appropriate service line within the Comprehensive Income and Expenditure Account.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.0m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows:

Sensitivities at 31 March 2012	Approximate % Increase to Employer Obligation	Approximate monetary amount £'000
0.5% decrease in real discount rate	9%	42,804
1 year increase in member expectancy.	3%	13,471
0.5% increase in salary increase rate	3%	12,893
0.5% increase in pension increase rate	6%	29,485

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2012, the Council had a balance of sundry debtors of £4.243m. A review of significant balances suggested an allowance of 18.9% (£0.804m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate an increase of the allowance to 25% would increase the bad debt provision required by £0.257m

5. TRANSFERS TO/FROM EARMARKED RESERVES

The Council has ring-fenced £29.454m of the balance on the General Fund as follows:

Ring-fenced Balances	Balance 1 April 2011 £'000	Funds Used £'000	Contributions to Funds £'000	Balance 31 March 2012 £'000
PPP Smoothing Funds:				
Waste Management PPP	5,487	(5,487)	-	-
NPDO Affordability Funding	10,568	(10,568)	-	-
Provision for Future Severance Costs to be repaid to Smoothing Fund in Future Years	(728)	728	-	-
Total Ring-fenced for PPP Smoothing Funds	**15,327**	**(15,327)**	**-**	**-**
Other Ring-fenced Balances:				
Revenue from Additional Council Tax on Second Homes (Strategic Housing fund)	7,366	(494)	1,817	8,689
Unspent Grants	328	(129)	278	477
Contributions Carried Forward	265	(21)	33	277
Unspent Budget Carried Forward	502	(322)	5,064	5,244
School Budget Carry Forwards	657	(657)	1,221	1,221
Unspent Budget Required for Existing Legal Commitments	115	(40)	73	148
CHORD	908	(517)	84	475
Process for Change	326	(326)	-	-
Additional Scottish Government Grant carried forward to 2011-12	2,455	(2,455)	-	-
Reserve Committed for 2011-12 Budget	876	(876)	-	-
Revenue Contribution to Capital (Dunoon and Campbeltown Schools)	-	-	12,500	12,500
Severance Costs	-	-	423	423
Total Ringfenced	**29,125**	**(21,164)**	**21,493**	**29,454**
Unallocated	4,782	-	336	5,118
Total General Fund Balance	**33,907**	**(21,164)**	**21,829**	**34,572**

The unallocated balance of £5.118m is 2.0% of the Council's budgeted net expenditure for 2012-13.

6. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Strategic Management Team on the basis of budgets analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows, (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Certain costs are deemed to be out with departmental control and are therefore reported separately to management, for example insurances across the Council.

6.1 Departmental Information for the year ended 31 March 2012

The income and expenditure of the Council's principal departments recorded in the budget reports for the 2011-12 year is as follows:

Departmental Income and Expenditure 2011-12	Community Services £'000	Development and Infrastructure Services £'000	Customer Services £'000	Chief Executive's Unit £'000	Total £'000
Fees, Charges and Other Service Income	(16,138)	(41,949)	(19,532)	(160)	(77,779)
Government Grants	(2,519)	(458)	(23,665)	-	(26,642)
Total Income	**(18,657)**	**(42,407)**	**(43,197)**	**(160)**	**(104,421)**
Employee Expenses	84,217	22,247	15,903	5,468	127,835
Other Operating Expenses	65,916	53,216	60,234	715	180,081
Total Operating Expenses	**150,133**	**75,463**	**76,137**	**6,183**	**307,916**
Net Cost of Services	**131,476**	**33,056**	**32,940**	**6,023**	**203,495**

Departmental Income and Expenditure 2010-11 Comparative Figures	Community Services £'000	Development and Infrastructure Services £'000	Customer Services £'000	Chief Executive's Unit £'000	Total £'000
Fees, Charges and Other Service Income	(19,964)	(41,693)	(21,971)	(373)	(84,001)
Government Grants	(3,133)	-	(22,673)	-	(25,806)
Total Income	**(23,097)**	**(41,693)**	**(44,644)**	**(373)**	**(109,807)**
Employee Expenses	88,392	23,502	17,483	5,846	135,223
Other Operating Expenses	75,173	54,288	58,718	1,840	190,019
Total Operating Expenses	**163,565**	**77,790**	**76,201**	**7,686**	**325,242**
Net Cost of Services	**140,468**	**36,097**	**31,557**	**7,313**	**215,435**

6.2 Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

The reconciliation below shows how the figures in the analysis of departmental income and expenditure relate to the total Net Cost of Services in the Comprehensive Income and Expenditure Statement.

	2011-12 £'000	2010-11 £'000
Cost of Services in Service Analysis	**203,495**	**215,435**
Add Services not included in Main Analysis	21,400	23,047
Add Amounts not Reported to Management	13,350	(27,268)
Remove Amounts Reported to Management not Included in Comprehensive Income and Expenditure Statement	(1,263)	(1,594)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**236,982**	**209,620**

6.3 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011-12	Service Analysis £'000	Services not in Analysis £'000	Not Reported to Management £'000	Not Included in I&E £'000	Total Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service Income	(77,779)	(345)	-	418	(77,706)	(327)	(78,033)
Surplus or Deficit on Associated and Joint Ventures	-	-	-	-	-	(46)	(46)
Interest and Investment Income	-	-	-	-	-	(4,286)	(4,286)
Income from Council Tax	-	-	-	-	-	(47,309)	(47,309)
Government Grants and Contributions	(26,642)	-	-	-	(26,642)	(225,237)	(251,879)
Total Income	**(104,421)**	**(345)**	**-**	**418**	**(104,348)**	**(277,205)**	**(381,553)**
Employee Expenses	127,835	4,758	(224)	-	132,369	-	132,369
Other Service Expenses	180,081	1,585	2,295	(354)	183,607	-	183,607
Depreciation, Amortisation and Impairment	-	-	11,279	-	11,279	-	11,279
Interest Payments	-	-	-	-	-	19,602	19,602
Precepts and Levies	-	15,402	-	(1,327)	14,075	1,327	15,402
Gain or Loss on Disposal of Assets	-	-	-	-	-	442	442
Total Operating Expenses	**307,916**	**21,745**	**13,350**	**(1,681)**	**341,330**	**21,371**	**362,701**
Surplus or Defict on the Provison of Services	**203,495**	**21,400**	**13,350**	**(1,263)**	**236,982**	**(255,834)**	**(18,852)**

2010-11 Comparative Figures	Service Analysis £'000	Services not in Analysis £'000	Not Reported to Management £'000	Not Included in I&E £'000	Total Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service Income	(84,001)	(81)	-	170	**(83,912)**	(71)	**(83,983)**
Surplus or Deficit on Associated and Joint Ventures	-	-	-	-	**-**	(82)	**(82)**
Interest and Investment Income	-	-	-	-	**-**	(2,400)	**(2,400)**
Income from Council Tax	-	-	-	-	**-**	(47,012)	**(47,012)**
Government Grants and Contributions	(25,806)	-	-	-	**(25,806)**	(232,913)	**(258,719)**
Total Income	**(109,807)**	**(81)**	**-**	**170**	**(109,718)**	**(282,478)**	**(392,196)**
Employee Expenses	135,223	4,845	(35,773)	-	**104,295**	-	**104,295**
Other Service Expenses	190,019	2,897	(453)	(359)	**192,104**	-	**192,104**
Depreciation, Amortisation and Impairment	-	-	8,958	-	**8,958**	-	**8,958**
Interest Payments	-	-	-	-	**-**	18,070	**18,070**
Precepts and Levies	-	15,386	-	(1,405)	**13,981**	1,405	**15,386**
Gain or Loss on Disposal of Assets	-	-	-	-	**-**	201	**201**
Total Operating Expenses	**325,242**	**23,128**	**(27,268)**	**(1,764)**	**319,338**	**19,676**	**339,014**
Surplus or Defict on the Provison of Services	**215,435**	**23,047**	**(27,268)**	**(1,594)**	**209,620**	**(262,802)**	**(53,182)**

7. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.000m shown in the Other Operating Income and Expenditure line on the Income and Expenditure Account consists of the requisition paid to Dunbartonshire and Argyll & Bute Joint Valuation Board of £1.327m offset by £0.327m of backdated VAT income received as a result of claims being made under "the Fleming" case law principle.

8. SIGNIFICANT TRADING ORGANISATIONS

Details of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations are as follows:

8.1 Roads and Lighting Trading Account

The Council runs its Roads and Lighting Service on the basis of agreements concluded between the Service Managers, the relevant Council Departments and external organisations. The Service maintains the road network throughout Argyll and Bute excluding Trunk Roads (which are the responsibility of the Scottish Government). The Roads and Lighting Trading account returned a surplus of £0.357m in 2011-12. The trading objective is to break-even over a three year period, the trading account has achieved this objective with a 3 year surplus.

Roads and Lighting Trading Account	2009-10 Actual £'000	2010-11 Actual £'000	2011-12 Actual £'000	3 year Cumulative £'000
Turnover	18,555	19,406	19,944	57,905
Expenditure	17,484	18,805	19,587	55,876
Net Surplus/(Deficit)	**1,071**	**601**	**357**	**2,029**

8.2 Catering and Cleaning Trading Account

The Council runs its Catering and Cleaning Service on the basis of agreements concluded between the Service Managers, the relevant Council Departments and external organisations. The Service provides Catering and Cleaning to all Schools and Council Offices as well as providing a Cleaning Service to external clients such as Police Stations and Outdoor Centres. The Catering and Cleaning Trading account returned a surplus of £0.322m in 2011-12. The trading objective is to break-even over a three year period, the trading account has achieved this objective with a 3 year surplus.

Catering and Cleaning Trading Account	2009-10 Actual £'000	2010-11 Actual £'000	2011-12 Actual £'000	3 year Cumulative £'000
Turnover	8,470	8,643	6,831	23,944
Expenditure	7,790	8,337	6,509	22,636
Net Surplus/(Deficit)	**680**	**306**	**322**	**1,308**

9. AGENCY INCOME

The Council have an ongoing agency agreement with Scottish Water to collect domestic water and sewerage charges. During 2011-12 income from this agreement amounted to £0.266m.

Agency Income	2011-12 Actual £'000	2010-11 Actual £'000
Scottish Water	266	255
Total	**266**	**255**

10. COMMUNITY CARE HEALTH (SCOTLAND) ACT 2002

During 2011-12, under the Community Care and Health (Scotland) Act 2002, the Council continued to develop services which centred on joint working with the Argyll & Bute Community Health Partnership (CHP) and NHS Highland within the Argyll and Bute Health and Social Care Partnership.

The aspiration of the Partnership is to work together to fully integrate the delivery of health and social care services, focusing on achieving good outcomes for all those who use our services and have an efficient, cost effective and seamless delivery of service.

During 2011-12 the Partnership included provision of services to older people, supporting people with a learning disability and provision of support to adults who have a mental health difficulty.

Budgets are currently aligned which means that each Partner organisation holds their own element of the budget and records the income and expenditure that relates to the part of the service for which they are responsible.

During 2011-12 income received by the Council from this source amounted to £5.056m and the related expenditure was £6.586m. This can be analysed as follows:

Purpose of Services	Income £'000	Expenditure £'000
Care of the Elderly	2,245	3,081
Provision of Services for People with Learning Disabilities	2,139	2,764
Provision of Services for People with Mental Health Needs	672	741
Total	**5,056**	**6,586**

11. WASTE MANAGEMENT PUBLIC PRIVATE PARTNERSHIP

The Council has entered into a Public Private Partnership for the provision of its waste disposal service. This agreement requires the provider to upgrade or replace three waste disposal sites, two transfer stations and five civic amenity sites. In addition, the provider will also provide composting facilities to meet waste diversion targets. When the agreement ends in September 2026 the provider will hand back to the Council the waste disposal facilities with a life of 5 years.

The Council has paid a service charge of £4.897m (2010-11 - £5.895m) which represents the value of the service provided from 1 April 2011 to 31 March 2012. Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2012 - 2017	28,861
2017 - 2022	32,069
2022 - 2027	23,290
Total	**84,220**

This equates to £5.808m per annum over the life of the contract.

12. FEES PAYABLE TO AUDIT SCOTLAND

In 2011-12 the following fees relating to external audit and inspection were incurred:

Auditor's Remuneration	2011-12 £'000	2010-11 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed Auditor	266	287
Total Remuneration	**266**	**287**

13. GRANT INCOME

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2011-12.

Grant Income	2011-12 £'000	2010-11 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	187,818	189,205
Non Domestic Rates	25,582	36,214
Specific Capital Grant	98	154
General Capital Grant	11,005	6,381
European Regional Development Fund (ERDF)	414	-
SUSTRANS	140	477
Other Grants	68	39
Other Government Capital Grants	112	443
Total	**225,237**	**232,913**
Credited to Services		
Scottish Government Specific Grants	385	784
General Capital Grant - Private Sector Housing Improvement Grants	1,517	1,484
Housing Benefit Subsidy	22,843	21,776
Council Tax Benefit Subsidy	5,972	5,999
Other Revenue Government Grants	1,898	1,872
Total	**32,615**	**31,915**

14. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

14.1 Scottish Government

The Scottish Government has effective control over the general operations of the Council – it 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 (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 6 on reporting for resource allocation decisions and also in Note 13 – Grant Income.

14.2 Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011-12 is shown in the Remuneration Report on page 18.

During the year there was one company in which members had a significant interest and where the total of transactions exceeded £10,000.

Transactions in which Members have a significant interest	Expenditure £'000
Trident Taxis	22

14.3 Other Related Bodies

This category relates to transactions with entities which are controlled or significantly influenced by the Authority.

During the year transactions with other related bodies were as follows:

Related Bodies:	Expenditure £'000
Transactions with related bodies during the year totalled	1,531
Of these, transactions with the following exceeded £10,000:	
West Highland Housing Association	356
Argyll, the Isles, Loch Lomond, Stirling and the Trossachs Tourist Board	189
Scotland Excel	68
Convention of Scottish Local Authorities (COSLA)	61
Cowal Council on Alcohol and Drugs	105
Helensburgh Addiction Rehabilitation Team	52
Islay and Jura Community Enterprise	80
Argyll and Bute Citizens Advice Bureaux	50
Mid Argyll Community Enterprise	60
Oban Addiction Support and Information Services (OASIS)	43
Oban and Lorn Community Enterprise - Atlantis Leisure	441
Total	**1,505**

15. PROPERTY, PLANT AND EQUIPMENT

15.1 Movement in Property, Plant and Equipment

Movements in 2011-12	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Corporate Surplus Assets £'000	Assets Under Construction £'000	Total 2011-12 £'000
Cost or Valuation							
At 1 April 2011	**319,491**	**17,870**	**187,181**	**1,274**	**14,476**	**8,597**	**548,889**
Additions	4,818	3,166	8,938	66	61	8,422	25,471
Revaluation increases/(decreases) recognised in the Revaluation Reserve	495	-	-	-	247	-	742
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(185)	-	-	-	(25)	-	(210)
Derecognition - Disposals	(459)	(1,124)	-	-	(390)	-	(1,973)
Derecognition - Other	-	-	-	-	-	(669)	(669)
Assets reclassified (to)/from Held for Sale	-	-	-	-	(3,545)	-	(3,545)
Other movements in cost or valuation	(949)	28	3,776	-	(5,318)	(4,627)	(7,090)
At 31 March 2012	**323,211**	**19,940**	**199,895**	**1,340**	**5,506**	**11,723**	**561,615**
Depreciation and Impairments							
At 1 April 2011	**(17,687)**	**(12,157)**	**(41,627)**	**(2)**	**(2,339)**	**-**	**(73,812)**
Depreciation Charge for 2011-12	(11,575)	(2,111)	(4,507)	-	(116)	-	(18,309)
Depreciation written out to the Revaluation Reserve	4,695	-	-	-	62	-	4,757
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	249	-	-	-	20	-	269
Derecognition - Disposals	161	1,113	-	-	62	-	1,336
Other movements in depreciation and impairment	255	(1)	-	-	1,922	-	2,176
At 31 March 2012	**(23,902)**	**(13,156)**	**(46,134)**	**(2)**	**(389)**	**-**	**(83,583)**
Balance Sheet amount at 1 April 2012	**299,309**	**6,784**	**153,761**	**1,338**	**5,117**	**11,723**	**478,032**
Balance Sheet amount at 1 April 2011	**301,804**	**5,713**	**145,554**	**1,272**	**12,137**	**8,597**	**475,077**

Comparative Movements in 2010-11	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Corporate Surplus Assets £'000	Assets Under Construction £'000	Total 2010-11 £'000
Cost or Valuation							
At 1 April 2010	**312,534**	**16,171**	**176,743**	**1,144**	**6,573**	**10,299**	**523,464**
Additions	4,657	2,229	4,683	130	-	9,502	21,201
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(177)	-	-	-	(540)	-	(717)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,511)	-	-	-	(135)	-	(2,646)
Derecognition - Disposals	-	(898)	-	-	(495)	-	(1,393)
Derecognition - Other	-	-	-	-	-	(4)	(4)
Assets reclassified (to)/from Held for Sale	-	-	-	-	9,073	-	9,073
Other movements in cost or valuation	4,988	368	5,755	-	-	(11,200)	(89)
At 31 March 2011	**319,491**	**17,870**	**187,181**	**1,274**	**14,476**	**8,597**	**548,889**
Depreciation and Impairments							
At 1 April 2010	**(15,493)**	**(11,113)**	**(37,372)**	**(2)**	**(820)**	**-**	**(64,800)**
Depreciation Charge for 2010-11	(11,758)	(1,927)	(4,255)	-	(339)	-	(18,279)
Depreciation written out to the Revaluation Reserve	8,278	-	-	-	919	-	9,197
Impairment losses/(reversals) recognised in the Revaluation Reserve	112	-	-	-	-	-	112
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	1,174	-	-	-	30	-	1,204
Derecognition - Disposals	-	883	-	-	36	-	919
Other movements in depreciation and impairment	-	-	-	-	(2,165)	-	(2,165)
At 31 March 2011	**(17,687)**	**(12,157)**	**(41,627)**	**(2)**	**(2,339)**	**-**	**(73,812)**
Balance Sheet amount at 1 April 2011	**301,804**	**5,713**	**145,554**	**1,272**	**12,137**	**8,597**	**475,077**
Balance Sheet amount at 1 April 2010	**297,041**	**5,058**	**139,371**	**1,142**	**5,753**	**10,299**	**458,664**

15.2 Valuation of Property, Plant and Equipment

IAS 16 – Property, Plant and Equipment has been adapted for the public sector by IPSAS 17 – Property, Plant and Equipment. Under IPSAS 17 each category of property, plant and equipment is valued as follows:

- Infrastructure, community assets and assets under construction are valued at historical cost
- Vehicles, plant and equipment are valued at depreciated historical cost as a proxy for fair value
- All other classes of assets are valued at fair value. Where there is no market based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold then an estimate of fair value is made using a depreciated replacement cost approach.

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. This includes Other Land and Buildings and Surplus Assets.

Revaluations of council owned Land and Property were carried out at 31 March 2012 in accordance with the Council's rolling programme of revaluations. The revaluations have been carried out by Hugh Blake, M.R.I.C.S, Estates Manager for Argyll and Bute Council. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The following statement shows the progress of the Council's rolling programme for the revaluation of property, plant and equipment:

	Other Land & Buildings £'000	Corporate Surplus Assets £'000
Valued at Fair Value as at:		
31 March 2012	24,583	495
31 March 2011	59,341	915
31 March 2010	68,739	1,624
31 March 2009	19,061	439
31 March 2008	127,585	1,644
Total Cost or Valuation	**299,309**	**5,117**

15.3 Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer (20 to 50 years)
- Infrastructure – straight-line allocation over 40 years
- Vehicles, Plant and Equipment - straight-line allocation over the useful life of the asset as determined by a suitably qualified officer (3 to 20 years)
- Vessels – straight line allocation over 25 years

15.4 Summary of Capital Expenditure and Financing

Capital expenditure involves the creation of assets, the benefit of which will be available to future rates and council taxpayers. It is financed from borrowing, capital receipts and capital grants. The cost of the asset is effectively borne over a period of years. In 2011-12 total spending on capital projects was £25.575m.

		2011-12 £'000	2010-11 £'000
Opening Capital Financing Requirement		**264,977**	**274,020**
Capital Investment:			
Property Plant and Equipment:	Other Land and Buildings	4,818	4,657
	Vehicles, Plant, Furniture and Equipment	3,166	2,229
	Infrastructure Assets	8,938	4,683
	Community Assets	66	130
	Surplus Assets	61	-
	Assets Under construction	8,422	9,502
Property Plant and Equipment acquired under Finance Leases:	Vehicles, Plant, Furniture and Equipment	-	-
Heritage Assets		8	-
Intangible Assets		96	-
Total Capital Investment		**25,575**	**21,201**
Sources of Finance:			
Capital Receipts		(190)	(159)
Government Grants		(11,479)	(7,095)
Capital Financed from Current Revenue		(124)	(915)
Repayment of External Loans		(20,584)	(20,416)
Capital Element of Finance Lease Payments		(157)	(338)
Capital Element of Schools NPDO Payments		(1,412)	(1,468)
Capital Receipts transferred to Capital Fund		190	159
Capital Receipts Used from Capital Fund		-	-
Other		(179)	(12)
Total Funding		**(33,935)**	**(30,244)**
Closing Capital Financing Requirement		**256,617**	**264,977**

15.5 Commitments under Capital Contracts

At 31 March 2012, the Council had commitments on capital contracts of £11.206m. This expenditure will be funded from a combination of government grants, borrowing and income from selling assets and contributions from Revenue Accounts. Similar commitments at 31 March 2011 were £2.838m. The major commitments are:

	£'000
Kintyre Renewables Hub	4,513
Roads Reconstruction (Various Locations)	2,902
Tayinloan Ferry Berth Improvements	2,650
Milton Burn Flood Prevention	519
Kinloch Park All Weather Pitch	556
Rothesay Harbour Ferry Berth Improvements	500

16. HERITAGE ASSETS

Financial Reporting Standard (FRS) 30 – *Heritage Assets* has been adopted as part of the 2011-12 Code of Practice. This is being disclosed as a change in accounting policy.

This change in accounting policy has resulted in £1.3m of assets being re-categorised from community assets into heritage assets. The main heritage assets held by the Council are two art collections and Inveraray Jail and Courthouse. The Council holds other heritage assets which are not valued and shown on the balance sheet. Further details on the council's heritage assets policy can be found in note 1.11 on page 41.

Reconciliation of the carrying value of heritage assets held by the Council:

	Art Collections £'000	Heritage Property £'000	Total £'000
Cost or Valuation			
Net Book Value at 1 April 2010	**1,140**	**176**	**1,316**
Additions	-	-	-
Disposals	-	-	-
Revaluations	-	-	-
Depreciation	-	-	-
At 31 March 2011	**1,140**	**176**	**1,316**
Cost or Valuation			
Net Book Value at 1 April 2011	**1,140**	**176**	**1,316**
Additions	8	-	8
Disposals	-	-	-
Revaluations	-	-	-
Depreciation	-	-	-
At 31 March 2012	**1,148**	**176**	**1,324**

17. INTANGIBLE ASSETS

Intangible assets relate wholly to software licences purchased during the year and these are shown at cost. This cost is charged to the relevant service lines within the Comprehensive Income and Expenditure Account over the economic life of the licences, assessed as five years. The movement in intangible assets during the year was:

Movements in 2011-12	Purchased Software Licences 2011-12 £'000
Cost or Valuation	
At 1 April 2011	**715**
Additions	96
Disposals	-
Reclassifications	-
At 31 March 2012	**811**
Depreciation and Impairments	
At 1 April 2011	**(350)**
Charge for 2011-12	(129)
Disposals	-
At 31 March 2012	**(479)**
Balance Sheet amount at 1 April 2012	**332**
Balance Sheet amount at 1 April 2011	**365**

The comparative movement in intangible assets in 2010-11 was:

Comparative Movements in 2010-11	Purchased Software Licences 2010-11 £'000
Cost or Valuation	
At 1 April 2010	**643**
Additions	4
Disposals	-
Reclassifications	68
At 31 March 2011	**715**
Depreciation and Impairments	
At 1 April 2010	**(223)**
Charge for 2010-11	(127)
Disposals	-
At 31 March 2011	**(350)**
Balance Sheet amount at 1 April 2011	**365**
Balance Sheet amount at 1 April 2010	**420**

18. INVESTMENT PROPERTY

Investment property has been accounted for in accordance with IAS 4 - Investment Property, except where interpretations or adaptations to fit the public sector are detailed in the Code. The definition of an investment property in the context of the public sector is one that is used solely to earn rentals or for capital appreciation or both.

The value of investment property is initially measured at cost and thereafter measured at fair value. The fair value of investment property reflects market conditions at 31 March 2012. Revaluations of investment properties were carried out at 31 March 2012 by Hugh Blake, M.R.I.C.S, Estates Manager for Argyll and Bute Council.

18.1 Movement in Investment Property

The movement in investment property during 2011-12 was:

Movements in 2011-12	Investment Properties £'000
Cost or Valuation	
At 1 April 2011	**1,290**
Acquisitions	-
Disposals	(3)
Net Gains/Losses from fair value adjustments	(2,731)
Transfers	7,091
At 31 March 2012	**5,647**

The comparative movement in investment property during 2010-11 was:

Comparative Movements in 2010-11	Investment Properties £'000
Cost or Valuation	
At 1 April 2010	**1,090**
Acquisitions	-
Disposals	-
Net Gains/Losses from fair value adjustments	200
Transfers	-
At 31 March 2011	**1,290**

18.2 Investment Property Income and Expenditure

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2011-12 £'000	2010-11 £'000
Rental Income from Investment Property	91	87
Direct operating expenses arising from investment property	-	-
Net gain/(loss)	**91**	**87**

19. SCHOOLS NON PROFIT DISTRIBUTING ORGANISATION (NPDO)

During 2007-08 ten schools on five sites, developed as part of the non-profit distribution organisation (NPDO) variant of a public private partnership, became operational. When the agreement ends in 2035 the provider will hand the five school complexes back to the Council, it is expected at that point in time each school will have an estimated life of 30 years remaining.

19.1 Assets Held under Schools NPDO Contract

Five schools were constructed under the Schools NPDO Contract; Hermitage Academy, Dunoon Grammar, Lochgilphead Joint Campus, Rothesay Joint Campus and Oban Primary Campus. The construction costs of the buildings, adjusted for revaluations on 31 March 2008 and depreciation to date, are included as part of Tangible Fixed Assets as follows:

Movements in 2011-12	Land & Buildings £'000
Cost or Valuation	
At 1 April 2011	**87,573**
Additions	-
Revaluations	-
At 31 March 2012	**87,573**
Depreciation and Impairments	
At 1 April 2011	**(4,387)**
Charge for 2011-12	(1,468)
Revaluations	-
At 31 March 2012	**(5,855)**
Balance Sheet amount at 1 April 2012	**81,718**
Balance Sheet amount at 1 April 2011	**83,186**

Comparative Movements in 2010-11	Other Land & Buildings £'000
Cost or Valuation	
At 1 April 2010	**87,573**
Additions	-
Revaluations	-
At 31 March 2011	**87,573**
Depreciation and Impairments	
At 1 April 2010	**(2,919)**
Charge for 2010-11	(1,468)
Revaluations	-
At 31 March 2011	**(4,387)**
Balance Sheet amount at 1 April 2011	**83,186**
Balance Sheet amount at 1 April 2010	**84,654**

19.2 Schools NPDO Finance Lease Liability

The finance lease liability arising from the Schools NPDO contract is as follows:

Movements in 2011-12	£'000
Balance at 1 April 2011	**(83,988)**
Repayments	1,412
Schools NPDO Finance Lease Liability at 31 March 2012	**(82,576)**
Split:	
Obligations payable within 1 year	(1,424)
Obligations payable after 1 year	(81,152)
Schools NPDO Finance Lease Liability at 31 March 2012	**(82,576)**

Comparative Movements in 2010-11	£'000
Balance at 1 April 2010	**(85,376)**
Repayments	1,388
Schools NPDO Finance Lease Liability at 31 March 2011	**(83,988)**
Split:	
Obligations payable within 1 year	(1,412)
Obligations payable after 1 year	(82,576)
Schools NPDO Finance Lease Liability at 31 March 2011	**(83,988)**

19.3 Payments due to Operator under Schools NPDO Contract

The Council is committed to paying the following sums under the Schools NPDO contract:

Future Repayment Periods	Repayment of Liability £'000	Lifecycle Costs £'000	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2012 - 2015	4,705	-	24,438	12,152	41,295
2015 - 2020	10,205	-	37,520	24,004	71,729
2020 - 2025	14,888	928	31,884	28,070	75,770
2025 - 2030	22,156	2,837	23,164	32,186	80,343
2030 - 2035	30,622	3,122	9,823	33,173	76,740
Total	**82,576**	**6,887**	**126,829**	**129,585**	**345,877**

20. FINANCE AND OPERATING LEASES

20.1 Finance Leases – Amounts Paid to Lessors

The Authority holds various vehicles under finance leases. The finance lease payment for the year amounted to £0.304m.

	2011-12 £'000	2010-11 £'000
Vehicles	304	400
Total	**304**	**400**

20.2 Operating Leases – Amounts Paid to Lessors

The Council uses land, buildings, vehicles, plant and equipment financed under the terms of an operating lease. The amounts paid under these arrangements in 2011-12 were as follows:

	2011-12 £'000	2010-11 £'000
Land and Buildings	107	250
Vehicles	884	1,068
Plant and Equipment	108	61
Total	**1,099**	**1,379**

20.3 Assets Held Under Finance Leases

The following values of assets are held under finance leases by the Council, accounted for as part of long term assets.

Movements in 2011-12	Vehicles, Plant and Equipment £'000
Value at 1 April 2011	**200**
Additions	-
Depreciation	(158)
Value at 31 March 2012	**42**

Comparative Movements in 2010-11	Vehicles, Plant and Equipment £'000
Value at 1 April 2010	**538**
Additions	-
Depreciation	(338)
Value at 31 March 2011	**200**

Outstanding obligations to make payments under these finance leases (excluding finance costs) as at 31 March 2012, accounted for as part of other liabilities are as follows:

	Vehicles, Plant and Equipment £'000
Obligations payable within 1 year	25
Obligations payable between 1 and 5 years	17
Obligations payable after five years	-
Total Liabilities at 31 March 2012	**42**

20.4 Assets Held Under Operating Leases

The Council was committed at 31 March 2012 to making payments of £0.649m under operating leases in 2011-12 comprising the following elements:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
Leases expiring within 1 year	1	277
Leases expiring between 1 and 5 years	11	271
Leases expiring after 5 years	89	-
Value at 31 March 2012	**101**	**548**

21. LONG TERM DEBTORS

	31st March 2012 £'000	31st March 2011 £'000	31st March 2010 £'000
House Loans	85	125	185
Waste PPP Historic Contamination Fund	750	750	750
Charging Orders - Care Home Fees (See Note Below)	965	934	831
Strategic Housing Fund Loans to Registered Social Landlords	1,900	-	-
Other Long Term Debtors	100	100	-
Total Long Term Debtors	**3,800**	**1,909**	**1,766**

During 2011-12 a decision was made to recognise, as a debtor on the balance sheet, amounts due to the Council for care home fee charging orders, this is being treated in the financial statements as a change in accounting policy. This resulted in a long term debtor of £0.831m being recognised on the balance sheet for the first time at 1 April 2010. This amount has been earmarked within the General Fund Balance along with the year on year movement since then.

22. DEBTORS

		31 March 2012 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Arrears of Local Taxation	Council Tax	11,949		11,579	11,452
	Less: Provision for Bad Debts	(9,756)		(9,390)	(9,112)
			2,193	**2,189**	**2,340**
	Community Charge	7,550		7,551	7,550
	Less: Provision for Bad Debts	(7,550)		(7,551)	(7,550)
			-	**-**	**-**
Housing Benefits Overpayments		877		878	787
Less: Provision for Bad Debts		(657)		(552)	(457)
			220	**326**	**330**
Debtor Accounts		4,243		2,467	6,184
Less: Provision for Bad Debts		(804)		(1,024)	(1,079)
			3,439	**1,443**	**5,105**
Net Debtor to Scottish Government for Non Domestic Rates			-	1,355	961
VAT Recoverable from HMRC			3,323	2,130	2,149
Other Debtors			5,972	7,813	6,637
Total Debtors			**15,147**	**15,256**	**17,522**

23. ASSETS HELD FOR SALE

	2011-12 £'000	2010-11 £'000
Balance outstanding at start of year	**1,722**	**8,679**
Assets newly classified as held for sale (Property, Plant and Equipment)	3,545	1,593
Revaluation losses	(2,998)	(50)
Revaluation gains	-	-
Impairment losses	-	-
Assets declassified as held for sale (Property, Plant and Equipment)	-	(8,500)
Assets Sold	(116)	-
Balance outstanding at year-end	**2,153**	**1,722**

24. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Cash held by the Authority	64	62	62
Cash in transit	105	43	87
Short term deposits with banks and building societies	17,962	34,836	6,645
Bank Current Accounts (Overdraft)	(2,644)	(4,495)	(3,444)
Total Cash and Cash Equivalents	**15,487**	**30,446**	**3,350**

25. CREDITORS

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Loans Fund Interest	2,672	1,255	1,517
Accrued Payrolls and Superannuation	5,677	6,470	6,556
Accrued Employer's National Insurance Contributions and PAYE	2,292	2,598	2,499
Accrual for Short Term Accumulating Absences	4,349	7,181	7,064
Creditors System Liability	6,949	5,961	6,932
Accrued Expenditure	5,164	6,456	7,782
Other Creditors	8,407	7,502	7,892
Total Creditors	**35,510**	**37,423**	**40,242**

26. FINANCIAL INSTRUMENTS DISCLOSURES

26.1 Types of Financial Instruments

Accounting regulations require the “financial instruments” (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of “financial instruments”:

	31 March 2012		31 March 2011		31 March 2010	
	Long Term £'000	Current £'000	Long Term £'000	Current £'000	Long Term £'000	Current £'000
Investments and Lending						
Loans and Receivables	3,800	50,634	1,909	45,702	1,764	20,872
Borrowing						
Financial Liabilities at amortised cost	242,148	37,493	242,942	39,464	215,935	50,938

26.2 Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- Estimated interest rates at 31 March 2012 for loans from the PWLB were taken from the appropriate interest rate notice and for other loans receivable and payable from market rates obtained by our treasury advisors.
- 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 values are calculated as follows:

	31 March 2012		31 March 2011		31 March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Lending						
Loans and Receivables	54,434	54,581	47,611	47,611	22,636	22,636
Borrowing						
Financial Liabilities	279,641	313,153	283,085	310,004	266,753	306,211

The fair value of the Authority's lending is the same as the carrying value at 31 March 2010 because the lending was at variable interest rates whilst the fair value is less than the carrying amount at 31 March 2011 because the Council's lending figure 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 commitment to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the loans.

26.3 Gains and Losses on Financial Instruments

There are no gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments.

26.4 Nature and Extent of Risks arising from Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

26.5 Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality UK banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Amount at 31 March 2012 £'000	Historical Experience of Non-payment adjusted for Market Conditions at 31 March 2012 %	Estimated Maximum Exposure to Default and Uncollectibility £'000
Deposits with Banks, Building Societies and Local Authorities	17,962	-	-

The information in respect of the Council's debtors can be found in note 21 and 22. The Debtor Accounts represents the amounts owed by the Council's customers; Other Debtors include prepaid expenditure, accrued income and money owed to the Council in respect of projects being carried out under partnerships where the Council is the lead partner. The bad debt provision shown in note 22 represents the Council's assessment of the likely recoverability of the debt outstanding.

The credit risk around unprovided for debt is considered to be low. Debtors relate to the normal business of the council and credit is issued on the council's standard credit terms. There are no significant amounts past due but not impaired where recoverability is considered to be an issue.

26.6 Liquidity Risk

The Council's main source of borrowing is the Treasury's Public Works Loans Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowings does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 30% of the loans are due to mature within any financial year and 60% within a rolling five-year period through a combination of prudent 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:

The maturity analysis of financial liabilities is as follows:	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Less than one year	37,493	39,464	50,935
Between one and two years	1,424	1,427	1,589
Between two and five years	41,058	23,116	6,287
More than five years	199,666	218,399	207,662

All other amounts due to the Council for council tax, non-domestic rates and other income are due to be paid in less than one year.

26.7 Market Risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charged on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer.

Changes in market rates also affect the notional "fair value" of lending and borrowing. For example, a rise in interest rates would reduce the "fair value" of both lending and borrowing at fixed rates. Changes in "fair value" of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the Accounts.

The Council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the Council.

It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 30% of what it borrows.

During periods of falling rates and where it is economically advantageous to do so, the Council will consider the repayment and restructuring of fixed interest rate debt.

The Council takes the daily advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructuring of existing borrowings.

Any potential for a financial impact on the Council is also significantly limited by the Scottish Government's grant distribution mechanism that automatically adjusts for changes in interest rates in the government grant support the Council receives for "loan charges".

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2012, with all other variables held constant.

Impact on tax-payer	31 March 2012 £'000	31 March 2011 £'000
Increase on interest payable on variable rate borrowings	5	5
Increase in interest receivable on variable rate lending	200	-
Increases in government grant receivable for "loan charges"	-	-
Net effect on Comprehensive Income & Expenditure Account	**205**	**5**

Other accounting presentational changes	31 March 2012 £'000	31 March 2011 £'000
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the notes to the financial statements)	22,340	22,736

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

26.8 Price Risk

The Council has no investment classified as "available-for-sale".

26.9 Foreign Exchange Risk

The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

26.10 Short-Term Deposits

The short-term investments arise as a result of the timing of expenditure and associated income and movements in fund and revenue balances. The Council adopts a proactive but prudent approach to its Treasury Management operations, which are governed by the fully revised edition of CIPFA's Code of Practice on Treasury Management.

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Banks	17,962	34,836	6,645

26.11 Short-Term Borrowing

The Common Good and the various trust administered by the Council had monies temporarily invested with the Council's loans fund during the year. The amounts at 31 March 2012 are shown in the table below. Further details of the nature and amounts of the funds of the Common Good and trusts are shown in notes 34 and 35 on pages 90 to 91.

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Common Good	100	101	97
Trust Funds	1,234	1,219	1,207

26.12 Material Soft Loans Made by the Council

The Council has "rolled up" debt for care home charges that in aggregate are deemed to be material soft loans. No interest is charged on the debt but the Council assesses that an unsubsidised rate for such debt would have been 5.54%.

The long term debtor recognised in the financial statements is as follows:

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Care Home Fee Charging Orders	965	934	831

27. OTHER LIABILITIES

Other liabilities consist of liabilities which by arrangement are payable at some point in the future or paid off by an annual sum over a period of time. Other liabilities total £83.368m as at 31 March 2012 and comprise the following:

Movements in 2011-12	Opening Balance 31 March 2011 £'000	Movement in Year £'000	Closing Balance 31 March 2012 £'000
Finance Lease Liability (See note 20.3)	(200)	158	(42)
Schools NPDO Finance Lease Liability (See note 19.2)	(83,988)	1,412	(82,576)
Land Contamination	(750)	-	(750)
Total Other Liabilities	**(84,938)**	**1,570**	**(83,368)**
Split:			
Short Term Liabilities (due within 1 year)			(1,449)
Long Term Liabilities (due after 1 year)			(81,919)
Total Other Liabilities			**(83,368)**

Comparative Movements in 2010-11	Opening Balance 31 March 2010 £'000	Movement in Year £'000	Closing Balance 31 March 2011 £'000
Finance Lease Liability (See note 20.3)	(538)	338	(200)
Schools NPDO Finance Lease Liability (See note 19.2)	(85,376)	1,388	(83,988)
Land Contamination	(750)	-	(750)
Total Other Liabilities	**(86,664)**	**1,726**	**(84,938)**
Split:			
Short Term Liabilities (due within 1 year)			(1,571)
Long Term Liabilities (due after 1 year)			(83,367)
Total Other Liabilities			**(84,938)**

28. PROVISIONS

	Opening Balance 31 March 2011 £'000	Additional Provision £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Closing Balance at 31 March 2012 £'000
SRC Insurance Claims	(22)	(173)			(195)
Equal Pay Claims	(590)		399		(191)
Single Status Provision	(911)		697	214	-
Income due to Registered Social Landlords	(88)		6		(82)
Reorganisation Redundancy Costs	(3,199)	(1,388)	2,808		(1,779)
Care Charges Provision	(101)	(7)	101		(7)
Utlities Provision	-	(781)			(781)
Other Provisions	-	(215)			(215)
Total Provisions	**(4,911)**	**(2,564)**	**4,011**	**214**	**(3,250)**
Split:					
Short Term Provisions (due within 1 year)					(2,831)
Long Term Provisions (due after 1 year)					(419)
Total Other Liabilities					**(3,250)**

Liabilities have continued to arise in respect of the former Strathclyde Regional Council's operations. Cost sharing arrangements are in place with the other eleven authorities that make up the former Strathclyde Region. Argyll and Bute Council's share of liabilities, which materialise in the future, will be approximately 4.75%. At present, potential liabilities in respect of insurance claims and various legal actions could cost the Council £0.195m. Additional provision has been made in 2011-12 for asbestos related cases, full provision for the amounts notified have been made.

A provision was created at the end of 2005-06 in relation to the 9% of female employees in catering, cleaning and home care services who had not accepted the Council's equal pay settlement. The Council is nearing agreement on the final settlement for Equal Pay claims. A reliable estimate of the liability could be made for those claims where settlement offers have been made and as such a provision is held for the full cost of these claims, some of these claims were settled during 2011-12 with a balance remaining to fund the remainder of these. There are further outstanding claims where the settlement amount cannot be estimated reliably enough to provide for the costs.

During 2007-08 the Council implemented a new Pay and Grading Model and also revised Terms and Conditions. There were a number of employees who appealed the determination of their allocated grade under the single status arrangements. The single status appeals have all been finalised and as such the full provision has been released during 2011-12.

The Council reduced the discount on council tax from second homes to 10% during 2005-06. The additional council tax income invoiced during 2011-12 amounted to £1.817m; this amount is to be paid to registered social landlords to invest in social housing. A provision for cash not yet collected, due to be paid to registered social landlords, has been created amounting to £0.082m.

As with previous years, liabilities have arisen in respect of employees who will be made redundant as a result of restructuring. The Council has significant budget savings to make in the coming years; in advance of this, the Council Transformation Programme of service reviews has been put in place to achieve the savings required. As part of this the Council invited all employees to express an interest in voluntary redundancy. As a result of service review savings agreed as part of the budget process for 2011-12 and 2012-13 a number of employees have subsequently either taken or have been offered a redundancy package. The additional costs for employees terminated on or before 31 March 2012 were incurred in-year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2012, a provision of £1.779m has been created during 2011-12. For further information refer to note 32 - Termination Benefits.

The Council was in dispute with a care provider over fees and charges from 2009-10. The Council position was that fee increases imposed during 2009-10 were unreasonably high, therefore the uplift element of the payments have been withheld from the provider. It is likely that the settlement of the dispute may involve litigation and that the Council will have to meet the payment demands, therefore a provision was created in 2009-10 for these costs. Settlement for these care packages has now been made with the provider. There is an additional provision of £0.007m in 2011-12 for a similar issue with a care provider for 2011-12 care charges and as such these costs have been provided for.

The utilities provision of £0.781m has been created during 2011-12 to cover a potential liability in relation to discrepancies in charges for utility costs.

The "other" provisions include funds to cover legal expenses in respect of recent court cases which the council will have to incur and also an amount in relation to the schools NPDO service charges which have been withheld from the operator. These amounts will require to be settled during 2012-13.

29. DEFINED BENEFIT PENSION SCHEMES

The Council participates in two different pension schemes which meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

Teachers

This is an unfunded scheme administered by the Scottish Government. This means that liabilities for the benefits provided cannot be identified by the Council. The scheme is therefore accounted for as if it were a defined contributions scheme where no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to the Scottish Government in the year.

Local Government Pension Scheme

This is administered by Strathclyde Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The contributions are based on rates determined by the Fund's professionally qualified actuary and based on triennial valuations of the Fund.

29.1 Accrued Pensions Contribution

Due to the timing of salary processing, not all employee and employer contributions have been paid to the Pensions Schemes by the 31 March 2012. These payments have been accrued and are included within the creditors figure on the balance sheet. These have been paid during April 2012. The amounts are as follows:

- Local Government Pension Scheme – £1.186m
- Teachers' scheme – £0.605m

29.2 Transactions in Respect of the Local Government Pensions Scheme

The latest formal valuation of the Strathclyde Pension Fund for funding purposes was at 31 March 2011. The independent actuaries appointed by the Council are Hymans Robertson and they have assumed that employees have continued to earn new benefits on the same basis as the latest formal valuation and that the employer's pensionable payroll over the year to 31 March 2012 remains substantially stable with new entrants replacing any leavers.

We recognise 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 we are 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 of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

	2011-12 £'000	2010-11 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	10,438	12,732
Past Service Cost/(Gain)	-	(42,187)
Settlements and Curtailments	2,931	1,164
Net Operating Expenditure:	**13,369**	**(28,291)**
Financing and Investment Income and Expenditure		
Interest Cost	22,516	23,629
Expected Return on Scheme Assets	(26,448)	(25,517)
Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services	**9,437**	**(30,179)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Acturial (Gains) and Losses	57,154	(38,980)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**66,591**	**(69,159)**
Statement of Movement in Reserves:		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benenfits in accordance with the Code	**4,289**	**42,762**
Actual Amount charged against the General Fund Balance for pensions in the year:		
Employer's Contributions Payable to the Scheme	**13,726**	**12,583**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £57.154m (£38.980m gain in 2010-11).

29.3 Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2011-12 £'000	2010-11 £'000
Defined Benefit Obligation at 1 April	**408,953**	**462,085**
Current Service Cost	10,438	12,732
Interest Cost	22,516	23,629
Contributions by Scheme Participants	3,374	3,515
Actuarial (Gains) and Losses	27,423	(36,528)
Estimated Unfunded Benefits Paid	(1,811)	(1,700)
Estimated Benefits Paid	(14,045)	(13,757)
Losses on Curtailments	2,931	1,164
Past Service Costs (Gains)	-	(42,187)
Defined Benefit Obligation at 31 March	**459,779**	**408,953**

Reconciliation of fair value of the scheme (plan) assets:

	2011-12 £'000	2010-11 £'000
Fair Value of Employer Assets at 1 April	**382,726**	**354,116**
Expected Rate of Return	26,448	25,517
Actuarial Gains and (Losses)	(29,731)	2,452
Employers Contributions	13,726	12,583
Contributions by Scheme Participants	3,374	3,515
Estimated Unfunded Benefits Paid	(1,811)	(1,700)
Estimated Benefits Paid	(14,045)	(13,757)
Fair Value of Employer Assets at 31 March	**380,687**	**382,726**

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 £26.448m (2010-11: £25.517m).

29.4 Scheme History

Local Government Pension Scheme	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000	2011-12 £'000
Present Value of Scheme Liabilities	(325,814)	(289,681)	(462,085)	(408,953)	(459,779)
Fair Value of Assets	325,216	257,164	354,116	382,726	380,687
(Deficit) in the Scheme	**(598)**	**(32,517)**	**(107,969)**	**(26,227)**	**(79,092)**

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £10.095m.

29.5 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 the assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

Long Term expected rate of return on assets in the scheme:	2011-12 %	2010-11 %
Equity Investments	6.3%	7.5%
Bonds	3.9%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%

Mortality assumptions		2011-12 Years	2010-11 Years
Longevity at 65 for current pensioners:	Men	21.0	20.6
	Women	23.4	23.9
Longevity at 65 for future pensioners:	Men	23.3	22.6
	Women	25.3	25.0

Financial Assumptions	2011-12 %	2010-11 %
Rate of Inflation (CPI)	2.5%	2.8%
Rate of Increase in Salaries	4.8%	5.1%
Rate of Increase in Pensions (CPI)	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	5.5%

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

The Pension Fund's assets consist of the following categories by proportion of the total assets held:

	2011-12 %	2010-11 %
Equity Investments	77.0%	77.0%
Bonds	11.0%	13.0%
Property	7.0%	6.0%
Cash	5.0%	4.0%
Total	**100.0%**	**100.0%**

29.6 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011-12 can be analysed into the following categories:

Local Government Pension Scheme Scheme	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %
Experience gains and losses on assets	-10.44%	-35.55%	22.60%	0.64%	-7.81%
Experience gains and losses on liabilities	0.04%	12.35%	-0.21%	-0.55%	-0.04%

29.7 Teachers Pensions – Administered By Scottish Public Pensions Agency

This is an unfunded scheme administered by the Scottish Government. The pension cost charged in the accounts is the contribution rate set by the Scottish Government on the basis of a notional fund.

	2011-12 £'000	2010-11 £'000
Amount Paid Over (£'000)	5,152	5,457
Rate of Contribution (%)	14.90%	14.90%
Amount of Added Years Awarded by the Council (£'000)	519	515

30. UNUSABLE RESERVES

Movements in the Authority's unusable reserves are detailed in the Movement in Reserves Statement on pages 27-28.

30.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

30.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting on non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations which are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

30.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax.

30.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority had set aside to meet them. The statutory arrangements will ensure funding will have been set aside by the time the benefits come to be paid.

30.5 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on pages 28-29.

31.1 Capital Funds

The Authority holds two funds which make up the Capital Funds total in the Statement of Movement in Reserves, these are:

Usable Capital Receipts Reserve

During the 2006-07 financial year and prior to the transfer of the Council's housing stock during November 2006, the receipts from the sale of council houses were transferred to the Useable Capital Receipts Reserve. The amounts held in this reserve can only be used for social housing capital expenditure.

Capital Fund

During the 2007-08 financial year the Council established a Capital Fund under Section 22 of Schedule 3 of the Local Government (Scotland) Act 1975. All receipts from capital disposals are to be paid into this fund with effect from 14 February 2008.

Notes to the Financial Statements

The movement in the Usable Capital Receipts Reserve and Capital Fund are as follows:

Movements in 2011-12	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
Balance at 1 April 2011	2,785	187	**2,972**
Proceeds of Disposals	25	165	190
Transfer to Capital Adjustment Account	-	(16)	(16)
Contribution to Loans Fund Charges	-	(68)	(68)
Interest Earned	13	1	14
Balance at 31 March 2012	**2,823**	**269**	**3,092**

Comparative Movements in 2010-11	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
Balance at 1 April 2010	2,773	204	**2,977**
Proceeds of Disposals	1	173	174
Transfer to Capital Adjustment Account	-	(12)	(12)
Contribution to Loans Fund Charges	-	(179)	(179)
Interest Earned	11	1	12
Balance at 31 March 2011	**2,785**	**187**	**2,972**

The movement in the Repairs and Renewals Funds are as follows:

Movements in 2011-12	Balance at 31 March 2011 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2012 £'000
Education	428	91	2	(58)	463
Vehicles	69	-	-	-	69
Total	**497**	**91**	**2**	**(58)**	**532**

Comparative Movements in 2010-11	Balance at 31 March 2010 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2011 £'000
Education	407	124	1	(104)	428
Vehicles	68	-	1	-	69
Total	**475**	**124**	**2**	**(104)**	**497**

32. CONTINGENT LIABILITIES

The Council has had significant budget savings to make from 2011-12 onwards, the Transformation Programme has been put in place to help the Council identify the level of savings required to balance the budget over the coming years through a programme of service reviews. As part of this process all Council employees were asked to express an interest in voluntary redundancy. Termination costs for all employees who have since been accepted for redundancy have been accounted for either in 2011-12, or previous financial years. The implementation of the service reviews is ongoing and although all known severance costs have been provided for it is possible that there may be further redundancies required in the future to meet both service review and future savings from the revenue budget.

During the 2006-07 financial year the Council transferred its housing stock to Argyll Community Housing Association (ACHA). Some council houses involved in the transfer had been built on land not owned by the Council. The transfer agreement requires the Council to purchase this land and transfer it to ACHA at nil cost. A price has yet to be negotiated with the landowners and therefore a reliable estimate cannot be made of the obligation at this stage.

The Council has a number of applications for equal pay at various stages of completion at Industrial Tribunals. The final outcome of all of these applications are unknown at this time. There is also the potential for other equal pay claims whose costs may be met by the Council. Some claims were at the point of being settled on 31 March 2011, these were provided for in 2010-11 with some claims being settled during 2011-12 (see Note 28).

33. TERMINATION BENEFITS

A number of savings options were brought forward at the Council budget meetings in February 2011 and February 2012 to balance the Council budget for the period 2011-12 to 2014-15, these included savings from service reviews and further savings options in advance of service reviews. A number of these savings options were reliant on a reduction in the Councils staffing levels. The Council had forewarning of the level of savings required to balance the budget and had previously asked all Council employees to express an interest in voluntary redundancy. As a result of the budget savings options approved by the Council a number of employees had their redundancy application accepted.

Redundancy costs have been incurred by the Council in both 2010-11 and 2011-12 for the budget savings agreed. In both years provision was made within the financial year for the costs of all employees who had accepted redundancy as at 31 March ending that year, including accounting for costs for employee who confirmed redundancy by 31 March but left or were leaving after this date. The total cost accounted for in 2010-11 was £4.885m for 264 employees and in 2011-12 was £4.958m for 167 employees. These costs are detailed further in the Remuneration Report on page 26.

Therefore termination costs for all Council employees who have accepted redundancy by 31 March 2012 have been accounted for in 2011-12, or in previous financial years. There are only two groups of employees where there is insufficient information to allow for redundancy costs to be estimated reliably, therefore no actual financial provision can be made for these costs. An amount of £0.423m has been earmarked within the General Fund balance to accommodate these costs as and when the outstanding issues have been resolved.

The reduction in the staffing establishment includes posts from all services across the Council and reductions were in line with the service review and other savings agreed by the Council.

34. TRUST FUNDS AND OTHER THIRD PARTY FUNDS

The Council acts as sole or custodian trustee for 75 trust funds. The funds do not represent assets of the Council, and as such have not been included in the Balance Sheet.

Funds for which Argyll and Bute Council act as sole trustee:

	Income £'000	Expenditure £'000	Net Assets £'000	Reserves £'000
Argyll Education Trust	12	5	357	357
GM Duncan Trust	1	1	88	88
McDougall Trust	3	-	604	604
Various Other Trust Funds	6	1	529	529
Total Trust Funds	**22**	**7**	**1,578**	**1,578**

Argyll Education Trust: this is made up of a number of small trusts to award prizes, bursaries, etc. to pupils and ex-pupils of schools within the former Argyll County Council area. GM Duncan Trust: for the provision of fuel, clothing and foodstuffs for the needy of Campbeltown. McDougall Trust: for the provision of sheltered housing on the Ross of Mull.

Further information on the Trust Funds, administered by Argyll and Bute Council, can be obtained from Strategic Finance within the Chief Executive's Unit.

35. COMMON GOOD FUNDS

The Council administers the Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilphead, Inveraray, Cove and Kilcreggan. The figures below summarise the aggregate income and expenditure for the year as well as providing a snapshot picture of the assets and liabilities at 31 March 2012. The Common Good Funds are for the benefit of the geographical areas of the former burghs. Further information on the Common Good Funds can be obtained from Strategic Finance within the Chief Executive's Unit.

35.1 Common Good Income and Expenditure Account for the year ended 31 March 2012

2010-11 Actual £'000		2011-12 Actual £'000
74	Expenditure	80
(77)	Income	(79)
(3)	**(Surplus)/Deficit for the Year**	**1**

35.2 Common Good Balance Sheet at 31 March 2012

2010-11 Actual £'000		2011-12 Actual £'000
110	Tangible Fixed Assets	243
1,762	Investments	1,766
161	Current Assets	158
(2)	Current Liabilites	(2)
2,031	**Total Assets less Liabilities**	**2,165**
241	Revaluation Reserve	370
1,790	Common Good Fund	1,795
2,031	**Total Net Worth**	**2,165**

36. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The Net Cash Flows for Operating Activities can be reconciled to the Net (Surplus)/Deficit on the Provision of Services as follows:

	2011-12 £'000	2010-11 £'000
Net (Surplus)/Deficit on Provision of Services	**(18,852)**	**(53,182)**
Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:		
Statutory Adjustments through Statement of Movement in Reserves	18,206	53,271
Transfer to/from Other Statutory Reserves	(19)	(145)
Increase/(Decrease) in Stocks	413	(13)
Increase/(Decrease) in Debtors	3,048	(2,420)
(Increase)/Decrease in Creditors and Provisions	2,264	(305)
Other Revenue Adjustments	(21,056)	(21,583)
	2,856	**28,805**
Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:		
Non Cash Capital	11,027	6,763
Capital Element of Finance Lease Payments	(1,569)	(1,726)
	9,458	**5,037**
Net Cash Flows from Operating Activities	**(6,538)**	**(19,340)**
The cash flows for Operating Activities include the following		
Interest Paid on Borrowings	8,673	9,783
Interest Paid on Finance Leases	8,535	8,723
Interest Received on Bank Deposits	(260)	(264)
Net Cash Outflow from Servicing of Finance	**16,948**	**18,242**

37. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

	2011-12 £'000	2010-11 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	13,273	14,714
Investments made during year	20,000	-
Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(313)	(244)
Other Receipts from Investing Activities	(11,390)	(7,502)
Net Cash Outflow from Investing Activities	**21,570**	**6,968**

38. CASH FLOW STATEMENT –FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

	2011-12 £'000	2010-11 £'000
Cash Receipts of Short and Long Term Borrowing	(209)	(29,231)
Other Receipts from Financing Activities	(1,600)	-
Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	1,569	1,726
Repayments of Short and Long Term Borrowing	167	12,387
Other Payments from Financing Activities	-	394
Net Cash Outflow from Financing Activities	**(73)**	**(14,724)**

Council Tax Income Account

The Council Tax Income Account shows the gross income raised from council taxes levied and deductions made under the Local Government Finance Act 1992. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Authority.

2010-11 Actual £'000		2011-12 Actual £'000
53,246	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	53,622
	Add Back:	
1,788	RSL Second Home Discount Additional Income	1,817
	Less:	
(7,548)	Other Discounts and Reductions	(7,621)
(1,174)	Provision for Bad and Doubtful Debts	(1,081)
46,312	**Total**	**46,737**
700	Adjustment to Previous Years' Community Charge and Council Tax	572
47,012	**Transfers to General Fund**	**47,309**

Notes to the Council Tax Income Account

1. CALCULATION OF THE COUNCIL TAX

Dwellings are valued by the Assessor and placed within a valuation band ranging from the lowest "A" to the highest "H". The Council Tax charge is calculated using the Council Tax Base, Band D equivalent as below. This value is then decreased or increased dependent upon the band of the dwelling. The charge for each band for 2011-12 was as follows:

Band	Valuation Band	% Band D	£ per year
A	Under £27,000	67%	785.33
B	£27,000 - £35,000	78%	916.22
C	£35,000 - £45,000	89%	1,047.11
D	£45,000 - £58,000	100%	1,178.00
E	£58,000 - £80,000	122%	1,439.78
F	£80,000 - £106,000	144%	1,701.56
G	£106,000 - £212,000	167%	1,963.33
H	Over £212,000	200%	2,356.00

2. CALCULATION OF THE COUNCIL TAX BASE 2011-12

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,727	9,715	9,310	5,916	7,167	3,947	2,666	231	46,679
Less - Exemptions / Deductions	973	767	1,004	510	582	234	162	49	4,281
- Adjustment for Single Chargepayers	898	1,020	768	449	420	193	106	5	3,859
Effective Number of Properties	**5,856**	**7,928**	**7,538**	**4,957**	**6,165**	**3,520**	**2,398**	**177**	**38,539**
Band D Equivalent Factor (ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalent Number of Properties	**3,904**	**6,166**	**6,700**	**4,957**	**7,535**	**5,084**	**3,997**	**354**	**38,697**
Add Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									478
Nominal Tax Yield									**39,175**
Less Provision for Non-Collection - 2.92%									1,144
Council Tax Base 2011-12 - Number of Band D equivalents									**38,031**

Non Domestic Rate Income Account

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992 on non-domestic property. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

2010-11 Actual £'000		2011-12 Actual £'000
33,630	Gross rates levied and Contributions in Lieu	34,770
	Less:	
(8,040)	Reliefs and other deductions	(8,598)
(1)	Payment of Interest	-
(116)	Provision for Bad and Doubtful Debts	(284)
25,473	**Net Non-Domestic Rate Income**	**25,888**
-	Adjustment for years prior to introduction of national non-domestic rate pool	-
10,741	Contribution (to)/from national non-domestic rate pool	(306)
36,214	**Transfers to General Fund**	**25,582**

Notes to the Non Domestic Rate Income Account

1. ANALYSIS OF RATEABLE VALUES

	2011-12 £	2010-11 £
Industrial and freight transport subjects	6,262,945	6,111,030
Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	52,744,894	50,570,494
Commercial subjects:		
Shops	12,980,910	12,982,765
Offices	5,033,860	5,034,535
Hotels, Boarding Houses etc.	6,529,025	6,643,450
Others	2,102,185	2,105,870
Total Rateable Value	**85,653,819**	**83,448,144**

2. NON-DOMESTIC RATE CHARGE

	2011-12 Pence	2010-11 Pence
Rate Per Pound	**42.6p**	**40.7p**
Supplementary Rate Per Pound for Properties over £35,000 (£29,000 - 2009-10)	**0.7p**	**0.7p**

3. CALCULATION OF RATE CHARGE FOR EACH PROPERTY

The rates charge for each subject is determined by the rateable value placed upon it by the Assessor multiplied by the Rate per £ announced each year by the Government.

INTRODUCTION

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12: Based on International Financial Reporting Standards (the 2010 Code) places a requirement on Councils to consider all their interests in external organisations including limited companies and other statutory bodies. Where the interest is considered to be material, the Council is required to prepare a full set of group accounts in addition to those prepared for Argyll and Bute Council. The Group Accounts are designed to show "a true and fair view" the financial performance and position of the Council's Group.

Group Statement of Movement in Reserves

This statement shows the movement in the year on the reserves held by the Council plus its share of the reserves of its associates. The Common Good reserves are also fully consolidated into the Group Accounts. The Council's reserves are analysed into those which are "Usable Reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Council's share of the reserves of Associates is an unusable reserve (i.e. it cannot be used to fund expenditure or reduce taxation).

	Argyll and Bute Council								
	Usable Reserves								
Movements in 2011-12	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Council	Council's Share of Reserves of Associates	Total Common Good Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2011	**(33,907)**	**(497)**	**(2,972)**	**(37,376)**	**(175,604)**	**(212,980)**	**195,717**	**(2,031)**	**(19,294)**
Surplus/(Deficit) on Provision of Services	(18,852)	-	-	**(18,852)**	-	**(18,852)**	14,347	(134)	(4,639)
Other Comprehensive Expenditure and Income	-	-	-	-	51,655	**51,655**	164	-	51,819
Total Comprehensive Expenditure and	**(18,852)**	**0**	**0**	**(18,852)**	**51,655**	**32,803**	**14,511**	**(134)**	**47,180**
Total Statutory Adjustments (See Page 24)	**18,206**	**-**	**(190)**	**21,510**	**(21,510)**	**-**	**-**	**-**	**-**
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	**(646)**	**-**	**(190)**	**2,658**	**30,145**	**32,803**	**14,511**	**(134)**	**47,180**
Other Transfers required by Statute									
Transfer to/from Other Statutory Reserves	(19)	(35)	70	**16**	(16)	**-**	-	-	-
(Increase)/Decrease in Year	**(665)**	**(35)**	**(120)**	**2,674**	**30,129**	**32,803**	**14,511**	**(134)**	**47,180**
Balance at 31 March 2012 Carried Forward	**(34,572)**	**(532)**	**(3,092)**	**(34,702)**	**(145,475)**	**(180,177)**	**210,228**	**(2,165)**	**27,886**

The Council's Statement of Movement in Reserves on pages 27 to 28 give a more detailed analysis of the movement in the Council's usable and unusable reserves during 2011-12.

Group Statement of Movement in Reserves

This statement shows the comparative movement in the year on the reserves held by the Council plus its share of the reserves of its associates. The Common Good reserves are also fully consolidated into the Group Accounts.

Comparative Movements in 2010-11	Argyll and Bute Council						Council's Share of Reserves of Associates	Total Common Good Reserves	Total Reserves
	Usable Reserves								
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Council			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	**(33,851)**	**(475)**	**(2,977)**	**(37,303)**	**(74,923)**	**(112,226)**	**226,733**	**(1,998)**	**112,509**
Surplus/(Deficit) on Provision of Services	(53,182)	-	-	**(53,182)**	-	**(53,182)**	(15,802)	(33)	(69,017)
Other Comprehensive Expenditure and Income	-	-	-	-	(47,572)	**(47,572)**	(15,214)	-	(62,786)
Total Comprehensive Expenditure and	**(53,182)**	**0**	**0**	**(53,182)**	**(47,572)**	**(100,754)**	**(31,016)**	**(33)**	**(131,803)**
Total Statutory Adjustments (See Page 26)	**53,271**	**-**	**(174)**	**57,349**	**(57,349)**	**-**	**-**	**-**	**-**
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	**89**	**-**	**(174)**	**4,167**	**(104,921)**	**(100,754)**	**(31,016)**	**(33)**	**(131,803)**
Other Transfers required by Statute									
Transfer to/from Other Statutory Reserves	(145)	(22)	179	**12**	(12)	-	-	-	-
(Increase)/Decrease in Year	**(56)**	**(22)**	**5**	**4,179**	**(104,933)**	**(100,754)**	**(31,016)**	**(33)**	**(131,803)**
Balance at 31 March 2011 Carried Forward	**(33,907)**	**(497)**	**(2,972)**	**(33,124)**	**(179,856)**	**(212,980)**	**195,717**	**(2,031)**	**(19,294)**

The Council's Statement of Movement in Reserves on pages 29 to 30 give a more detailed analysis of the comparative movement in the Council's usable and unusable reserves during 2010-11.

Group Statement of Comprehensive Income and Expenditure

This statement shows the accounting cost in the year of providing the Council's services and its share of the results of its associates in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves on pages 27 to 30.

2010-11					2011-12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Service	Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
111,299	8,442	102,857	Education Services		102,527	7,013	95,514
40,024	25,465	14,559	Housing Services (Non-HRA)		31,336	26,615	4,721
13,649	2,629	11,020	Cultural and Related Services		12,143	2,449	9,694
21,812	4,223	17,589	Environmental Services		22,569	4,739	17,830
28,288	7,324	20,964	Roads and Transport Services		25,411	6,735	18,676
8,418	4,324	4,094	Trading Services		7,425	4,435	2,990
11,239	6,197	5,042	Planning and Development Services		10,452	5,845	4,607
63,461	12,652	50,809	Social Work		64,775	9,549	55,226
			Central Services:				
4,734	140	4,594	- Corporate and Democratic Core		3,945	17	3,928
(37,260)	2	(37,262)	- Non Distributed Costs		8,373	1	8,372
2,638	1,106	1,532	- Central Services to the Public		2,777	1,189	1,588
8,927	-	8,927	Strathclyde Police Joint Board		9,168	-	9,168
4,984	-	4,984	Strathclyde Fire and Rescue Joint Board		4,839	-	4,839
42,841	58,643	(15,802)	Associates Accounted for on an Equity Basis		45,015	30,668	14,347
325,054	**131,147**	**193,907**	**Net Cost of Services**		**350,755**	**99,255**	**251,500**

Group Statement of Comprehensive Income and Expenditure

		Other Operating Income and Expenditure:	
	201	Net (Gain)/loss on Disposal of Fixed Assets	442
	(82)	(Surplus)/deficit on trading undertakings	(46)
	1,334	Other Operating Income and Expenditure:	1,000
	1,453	**Total Other Operating Income and Expenditure**	**1,396**
		Financing and Investment Income and Expenditure:	
	18,070	Interest Payable and Similar charges	19,602
	(634)	Interest and Investment Income	(434)
	(1,888)	Pension Interest Cost and Expected Return on Pensions Assets	(3,932)
	15,548	**Total Financing and Investment Income and Expenditure**	**15,236**
		Taxation and Non-Specific Grant Income	
	(189,205)	General Government Grants	(187,818)
	(7,494)	Government Capital Grants and Other Capital Contributions	(11,837)
	(36,214)	Non-domestic Rates Redistribution	(25,582)
	(47,012)	Council Tax Income	(47,309)
	(279,925)	**Total Taxation and Non-Specific Grant Income**	**(272,546)**
	(69,017)	**(Surplus)/Deficit on Provision of Services**	**(4,414)**
	(8,592)	(Surplus)/Deficit on revaluation of Fixed Assets	(5,499)
	(38,980)	Actuarial (Gains)/Losses on Pension Assets/Liabilities	57,154
	(15,214)	Share of Other Comprehensive Expenditure and Income of Associates	164
	(62,786)	**Other Comprehensive Income and Expenditure**	**51,819**
	(131,803)	**Total Comprehensive Income and Expenditure**	**47,405**

Group Balance Sheet

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000	31 March 2012 £'000
		Long Term Assets		
		Property Plant & Equipment		
297,041	301,804	- Other Land and Buildings	299,309	
5,058	5,713	- Vehicles, Plant, Furniture and Equipment	6,784	
139,371	145,554	- Infrastructure Assets	153,761	
1,274	1,290	- Community Assets	1,581	
5,753	12,137	- Surplus Assets	5,117	
10,299	8,597	- Assets Under Construction	11,723	
458,796	**475,095**	Property Plant & Equipment		**478,275**
1,316	1,316	Heritage Assets		1,324
420	365	Intangible Assets		332
1,090	1,382	Investment Property		5,647
1,766	1,909	Long-Term Debtors		3,800
1,684	1,722	Long-Term Investments		1,766
2,783	2,733	Investment in Associates		2,581
467,855	**484,522**	**Total Long Term Assets**		**493,725**
		Current Assets		
116	103	Inventories	516	
17,522	15,256	Short Term Debtors (Net of Impairment)	15,154	
8,679	1,722	Assets Held for Sale	2,153	
-	-	Short Term Investments	20,000	
3,409	30,506	Cash and Cash Equivalents	15,538	
29,726	**47,587**	**Total Current Assets**		**53,361**
		Current Liabilities		
(12,495)	(355)	Short-term Borrowing	(454)	
(40,263)	(37,425)	Short-term Creditors	(35,511)	
-	(280)	Capital Grant Receipts in Advance	(278)	
(1,088)	(4,676)	Provisions	(2,831)	
(1,727)	(1,571)	Other Short Term Liabilities	(1,449)	
(55,573)	**(44,307)**	**Total Current Liabilities**		**(40,523)**
		Long-term Liabilities		
(131,242)	(160,229)	Borrowing Repayable within a Period in Excess of 12 Months	(160,210)	
(84,937)	(83,367)	Other Long-term liabilities	(81,919)	
(853)	(235)	Provisions	(419)	
(229,516)	(198,450)	Liabilities in Associates	(212,809)	
(107,969)	(26,227)	Other Long-term liabilities (Pensions)	(79,092)	
(554,517)	**(468,508)**	**Total Long-term Liabilities**		**(534,449)**
(112,509)	**19,294**	**Total Assets less Liabilities**		**(27,886)**

Group Balance Sheet

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000	31 March 2012 £'000
		Unusable Reserves		
46,059	51,895	- Revaluation Reserve	55,217	
150,275	163,123	- Capital Adjustment Account	175,839	
(6,378)	(6,006)	- Financial Instruments Adjustment Account	(5,634)	
(107,969)	(26,227)	- Pensions Reserve	(79,092)	
(7,064)	(7,181)	- Accumulated Absences Account	(4,349)	
74,923	**175,604**			141,981
		Usable Reserves		
2,977	2,972	- Capital Funds	3,092	
475	497	- Repairs and Renewals Funds	532	
33,851	33,907	- General Fund Balance	34,572	
37,303	**37,376**			38,196
(226,733)	**(195,717)**	**Group Reserves**		(210,228)
1,998	**2,031**	**Common Good Reserves**		2,165
(112,509)	**19,294**	**Total Reserves**		**(27,886)**

The Balance sheet is a snapshot of the value at the 31 March 2012 of the assets and liabilities recognised by the Council and its share of the net assets or liabilities of its associates and Common Good funds. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The net investment or liability in its associates is matched by its share of the reserves of the associates (i.e. its group reserves).

Bruce West,
Head of Strategic Finance
28 June 2012

1. GROUP ACCOUNTING POLICIES

The group accounts are prepared in accordance with the policies set out in Note 1 to the Financial Statements on pages 36 to 48.

- The Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee financial statements have been prepared under the historic cost convention.

2. COMBINING ENTITIES

The Council has an interest in a number of Associate Entities. For the purposes of consolidation and incorporation within the Group Accounts recognition has been made of the Council's significant influence over Joint Boards and other entities.

The Associates which have been incorporated are:

- Strathclyde Joint Police Board
- Strathclyde Fire and Rescue Joint Board
- Dunbartonshire and Argyll & Bute Valuation Joint Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee

Under accounting standards, the Council is required to include the results of the above organisations as "associates" because it has "significant influence" over their financial and operating policies. The Council has no shares in or ownership of any of these organisations which are entirely independent of the Council under law and for taxation.

Four of the five Joint Boards (Police, Fire and Rescue, SPT and Concessionary Travel) are included within the Group Accounts under the wider definition of an "associate" although the Council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements between the constituent Councils and the Joint Boards.

The accounting period for all entities is 31 March 2012.

3. NON MATERIAL INTEREST IN OTHER ENTITIES

The Council has an interest in Scotland Excel. Scotland Excel took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish local authority sector on 1 April 2008. Renfrewshire Council prepare the financial statements for Scotland Excel in its role as lead authority. Scotland Excel is a not-for-profit organisation funded mainly by the 28 participating Scottish local authorities. Argyll and Bute Council contributed £0.068m towards Scotland Excel in the 2011-12 financial year.

The Council also has an interest in the Highlands and Islands Transport Partnership (HITRANS). The Partnership was established as one of the seven Scottish Regional Transport Partnerships. The Transport (Scotland) Act 2005 requires these Partnerships to prepare Transport Strategies for their regions which will enhance economic well-being; promote safety, social inclusion and equal opportunity; plan for a sustainable transport system; and integrate across boundaries with other partnerships.

These entities are part of the Council's group for the purposes of Group Accounts. As such it is recognised that the nature of the relationship with these bodies should be included within these notes. However, it has been decided that the Council's share of the net worth of these entities is not material to a fair understanding of the financial position of the Council, and so they have not been consolidated into the Group Accounts.

4. NATURE OF COMBINATION

The Council inherited its interest in these entities following the reorganisation of local government in 1996. An acquisition basis has been used as the basis of consolidation. However, as no consideration was given for this interest there is no goodwill involved in these instances.

5. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates and Common Good Funds on the Group Balance Sheet is to decrease both reserves and net worth by £208.063m. This gives an overall net liability position for the Group of £27.886m. This reduced net asset position is due to the IAS19 Pension Liability within the Associates' Single Entity Accounts. This can be summarised as follows:-

	Pension Liability per Associates Accounts £'m	Argyll and Bute Council's Group Share £'m
Strathclyde Joint Police Board	4,513.810	180.101
Strathclyde Fire and Rescue Joint Board	1,101.302	42.731
Dunbartonshire and Argyll and Bute Valuation Joint Board	2.823	1.342
Total Pension Liability of Associates	**5,617.935**	**224.174**

The Police and Fire Schemes are unfunded with no attributable assets. However, the Scottish Government effectively underwrites these liabilities through provision within the Revenue Support Grant System. This means that the financing of police and fire pensions is raised in the year the pensions are actually paid and offset by recognition within the revenue stream from the Scottish Government.

All associates have prepared their accounts on a 'going concern' basis. Statutory arrangements are in place with the Scottish Government and constituent authorities for the funding of the deficit due to Police and Fire pensions. This means that the financial position of these two Boards remains assured. Similarly, for Strathclyde Passenger Transport Authority and the Joint Valuation Board funding arrangements between the Scottish Government and constituent authorities remains assured. In common with these public bodies, the Council's Group Accounts have been prepared on a 'going concern' basis as there is no reason to suggest that future funding will not continue.

6. FURTHER DETAILS ON CONSOLIDATION

Due to the significant impact upon the reported figures of the Group Accounts further information in respect of the Associate Entities outlined above can be summarised as follows:-

Strathclyde Police Joint Board

Strathclyde Police Joint Board is the statutory corporate body established under the Strathclyde Combined Police Area Amalgamation Order 1975 and provides a comprehensive range of policing services on behalf of the 12 constituent Councils in the West of Scotland. During 2011-12 the Council contributed £8.810m or 3.99% of the Board's estimated running costs and accounted for £174.184m of Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit and can be obtained from the Treasurer to Strathclyde Police Joint Board, Glasgow City Chambers, Glasgow G2 1DU.

Strathclyde Fire and Rescue Joint Board

This is the statutory body responsible for supervising the activities of Strathclyde Fire and Rescue Service. Strathclyde Fire and Rescue provides fire and emergency cover for the 12 constituent Councils in the West of Scotland. The Council contributed £4.839m to the Boards revenue costs in 2011-12 or 3.88% and has accounted for £37.742m as its representative share of the Balance Sheet

Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit scrutiny and available from the Treasurer to Strathclyde Fire and Rescue Joint Board, Bothwell Road, Hamilton ML3 0EA.

Strathclyde Partnership for Transport

Strathclyde Partnership for Transport was formed on 1 April 2006 as the successor to the Strathclyde Passenger Transport Authority. It is a Joint Committee of all Councils in the West of Scotland plus Dumfries and Galloway Council. In association with the related Structure Planning Committees, the Partnership's remit included the promotion of joint working to set out the policy framework for achieving the most effective management, development and integration of the transport network across boundaries in the medium to longer term through the Joint Transport Strategy. The Council contributed £0.606m or 1.62% of the Board's estimated net running costs during 2011-12 and accounted for £2.514m of the Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint Board

This body comprises the 12 local authorities within the West of Scotland which oversees the operations of the concessionary fares scheme for public transport within its area. The costs of the scheme are met by a combination of funding from the 12 constituent councils and direct grant funding from the Scottish Government. During 2011-12 the Council contributed £0.144m or 4.14% of the net annual running costs and accounted for £0.067m of the Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Concessionary Travel Scheme, Consort House, 12 West George Street, Glasgow G2 1HN.

Dunbartonshire and Argyll and Bute Valuation Joint Board

This body was formed in October 1995 at local government reorganisation by a Statutory Instrument and is responsible for the maintenance of the electoral, council tax and non-domestic rates registers for Argyll and Bute, West Dunbartonshire and East Dunbartonshire Councils. The Board's running costs are met by the three Councils. During 2011-12 Argyll and Bute Council contributed £1.327m towards estimated running costs and accounted for £0.833m of Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Dunbartonshire and Argyll and Bute Valuation Joint Board, Council Offices, Garshake Road, Dumbarton G82 3PU.

The following disclosures are also required for Dunbartonshire and Argyll and Bute Valuation Joint Board because the Council's interest exceeds the 25% threshold for accounting purposes:-

	2011/12 £'m	2010/11 £'m
Argyll and Bute Council has a 47.5% share of:		
Gross Income	2.551	2.661
Net Surplus (Deficit)	(0.082)	(1.139)
Long Term Assets	0.822	0.807
Current Assets	0.808	0.708
Liabilities due within one year	(0.663)	(0.519)
Liabilities due over one year	-	(0.089)
Pension Liability	(2.823)	(1.219)
Capital and Revenue Reserves	(1.822)	(0.312)

7. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure (pages 31 to 32) for group accounting purposes. These can be summarised as follows:

- All intra-group transactions have been removed from the Group Accounts as part of the subsidiary consolidation process.
- The Common Good Funds described in note 34 of the Notes to the Financial Statements on page 90 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £2.165m.

8. GROUP CASH FLOW STATEMENT

The impact of the incorporation of the associates has no effect upon the Cash Flow statement for Argyll and Bute Council on page 35. Only the Common Good transactions would have an impact. However, this impact is not material enough for a separate Group Cash Flow Statement to be prepared.

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ARGYLL AND BUTE COUNCIL	COUNCIL
STRATEGIC FINANCE	28 JUNE 2012

REVENUE BUDGET MONITORING – FOR THE YEAR 2011-12
CORPORATE OVERVIEW

1. INTRODUCTION

1.1 This report summarises the revenue budget position of the Council as at the end of the financial year 2011-12. The main points for attention are identified below. The overall financial statement for the Council is attached as Appendix 1.

2. RECOMMENDATION

2.1 Members to note the revenue budget monitoring position, as at the end of the financial year 2011-12.

3. DETAIL

Final Outturn Variance (Un-audited)

3.1 The performance against budget shows departmental controllable expenditure being £1.620m (0.77%) below budget. There are also savings in loan charges of £1.156m and an increase in council tax income of £0.692m. In addition other expenditure which includes departmental non-controllable expenditure and severance costs is overspent by £0.400m. All of these factors have resulted in a net underspend against budget of £3.068m (1.1%). More details on individual departmental outturns are given in Appendix 2.

3.2 The Council agreed to make allowance as part of the 2011-12 budget for costs associated with the redundancy and retirement costs for employees leaving as part of the service reviews and budget savings. The 3 year programme of service reviews has now been completed in terms of the detailed savings plans being agreed and as such all of the severance costs in relation to service reviews have been accounted for within 2011-12 or previous years. There are only two specific exceptions relating to two employee groups where sufficient information was not available to make provision during 2011-12 for the likely costs. An amount of £0.423m has been earmarked within the General Fund Balance to fund these costs during 2012-13, this amount is based on the current best estimate of the likely cost and is likely to change as and when the outstanding issues are resolved. The total amount earmarked from reserves during 2011-12 to balance the budget and fund the one-off severance costs was £5.870m.

3.3 A summary of the final outturn position is in the table below:

Final Outturn Variance (Un-audited)			
2011-12			
		Budget	**Variance**
Department	**Actuals**	**Adjusted for Earmarking**	**(Overspend) Underspend**
	£	**£**	**£**
Chief Executive's Unit	6,022,907	6,133,883	110,976
Community Services	131,475,803	133,542,639	2,066,836
Customer Services	32,939,794	33,020,984	81,190
Development and Infrastructure Services	33,056,677	32,417,626	(639,051)
Total Dept Controllable Expenditure	**203,495,181**	**205,115,132**	**1,619,951**
Loans Charges	29,600,672	30,756,927	1,156,255
Severance and Unfunded Pension Costs	6,612,080	6,165,156	(446,924)
Other (inc Dept non-controllable costs)	20,413,587	20,459,995	46,408
Total Expenditure	**260,121,520**	**262,497,210**	**2,375,690**
Total Funding	270,932,789	270,240,514	692,275
Underspend			**3,067,965**

3.4 The overall performance against budget is an underspend of £3.068m.

Bruce West
Head of Strategic Finance
20 June 2012

APPENDIX 1

ARGYLL AND BUTE COUNCIL - SUMMARY OF ACTUAL AND BUDGET COMPARISON 2011-2012

Department	Actual 2011-12	Budget 2011-12	Adjustment for Funds Earmarked in General Fund Reserve							Adjusted Budget 2011-12	"Real Variance" (Over)/underspend
			Income from council tax on 2nd homes	Unspent Grant monies carried forward to 2012-13	Third Party Contributions carried forward to 2012-13	CHORD	Existing Legal Commitments	DMR School Carry Forwards	Previous Council/Executive Decision		
	£	£	£	£	£	£	£	£	£	£	£
Expenditure											
Chief Executive's Unit	6,022,907	6,331,011			7,409				189,719	6,133,883	110,976
Community Services	131,475,803	137,633,876		263,496	26,000			1,221,071	2,580,670	133,542,639	2,066,836
Customer Services	32,939,794	33,568,984		15,000					533,000	33,020,984	81,190
Development and Infrastructure Services	33,056,677	32,854,669				84,300	72,743		280,000	32,417,626	(639,051)
Total Departmental Expenditure	**203,495,181**	**210,388,540**	**0**	**278,496**	**33,409**	**84,300**	**72,743**	**1,221,071**	**3,583,389**	**205,115,132**	**1,619,951**
Severance and Unfunded Pension Costs	6,612,080	6,588,393							423,237	6,165,156	(446,924)
Loans Charges	29,600,672	30,756,927								30,756,927	1,156,255
Other	20,413,587	20,689,995							230,000	20,459,995	46,408
Total Expenditure	**260,121,520**	**268,423,855**	**0**	**278,496**	**33,409**	**84,300**	**72,743**	**1,221,071**	**4,236,626**	**262,497,210**	**2,375,690**
Funding											
AEF	213,400,720	213,399,242								213,399,242	1,47[illegible]
Council Tax & NDR Income	47,307,456	44,800,000	1,816,659							46,616,659	690,797
Budgeted/withdrawn from Earmarked Reserves	4,354,613	4,354,613								4,354,613	[illegible]
Budgeted from reserves to balance budget and fund severance	5,870,000	5,870,000								5,870,000	0
Total Funding	**270,932,789**	**268,423,855**	**1,816,659**	**0**	**0**	**0**	**0**	**0**	**0**	**270,240,514**	**692,275**
Under/(Overspend)	**10,811,269**	**0**	**1,816,659**	**278,496**	**33,409**	**84,300**	**72,743**	**1,221,071**	**4,236,626**	**7,743,304**	**3,067,965**

REVENUE BUDGET MONITORING 2011-12 - DEPARTMENTAL OUTTURN SUMMARIES

APPENDIX 2

Department	Service	Actuals 2011-12	Budget 2011-12	Adjustment for Funds Earmarked in General Fund Balance: Unspent Grant Monies carried forward to 2012-13	Third Party Contributions carried forward to 2012-13	CHORD	Existing Legal Commitments	DMR School Carry Forwards	Previous Council/Executive Decision	Adjusted Budget	(Over)/ Underspend	Variance %age	Explanation
Chief Executive's Unit	Chief Executive	205,696	208,444							208,444	2,749	1.32%	Outwith Reporting Criteria
Chief Executive's Unit	Head of Improvement & Strategic HR	3,714,784	4,056,305		7,409				189,719	3,859,177	144,393	3.74%	There were year-end underspends in Training in both the Corporate budget and the Social Work training budgets totalling. In addition there were underspends across the Process for Change budgets, the full balance from reserves was drawn down in 2011-12 as provision for the ongoing costs have been included in the revenue budget from 2012-13 onwards.
Chief Executive's Unit	Head of Strategic Finance	2,102,428	2,066,262							2,066,262	(36,166)	-1.75%	Outwith Reporting Criteria
Chief Executive's Unit Total		**6,022,907**	**6,331,011**	**0**	**7,409**	**0**	**0**	**0**	**189,719**	**6,133,883**	**110,976**		

REVENUE BUDGET MONITORING 2011-12 - DEPARTMENTAL OUTTURN SUMMARIES

APPENDIX 2

Department	Service	Actuals 2011-12	Budget 2011-12	Unspent Grant Monies carried forward to 2012-13	Third Party Contributions carried forward to 2012-13	CHORD	Existing Legal Commitments	DMR School Carry Forwards	Previous Council/Executive Decision	Adjusted Budget	(Over)/ Underspend	Variance %age	Explanation
Community Services	Executive Director of Community Services	612,413	1,397,260						750,000	647,260	34,846	5.38%	Variance relates to balance of excess vacancy savings achieved across the department.
Community Services	Head of Adult Care	40,317,830	42,065,016	35,000					431,070	41,598,946	1,281,116	3.08%	The main contributing factors to the underspend are learning disability and mental health supported living, residential care for elderly and learning disability, sheltered housing wardens, uncommitted learning disability budget that had been identified during service review and the a number of smaller variances.
Community Services	Head of Children and Families	15,072,178	15,881,585	510	26,000				30,000	15,825,075	752,897	4.76%	The main contributing factors are underspends in residential placements and respite along with a year 1 over-achievement of service review savings in the children's units. These are offset by overspends in the school hostels and in the area children and families teams.
Community Services	Head of Community and Culture	10,651,438	10,889,323	59,039					80,000	10,750,284	98,846	0.92%	The main contributing factors are an underspend in homelessness temporary accommodation and housing support which is offset by overspends in adult community learning and leisure services.
Community Services	Head of Education	64,821,943	67,400,693	168,947				1,221,071	1,289,600	64,721,075	(100,868)	-0.16%	A range of variations from budgets including over and underspends which net off to a variance which represents a small proportion of total budget.
Community Services Total		**131,475,803**	**137,633,876**	**263,496**	**26,000**	**0**	**0**	**1,221,071**	**2,580,670**	**133,542,639**	**2,066,837**		

REVENUE BUDGET MONITORING 2011-12 - DEPARTMENTAL OUTTURN SUMMARIES **APPENDIX 2**

Department	Service	Actuals 2011-12	Budget 2011-12	Unspent Grant Monies carried forward to 2012-13	Third Party Contributions carried forward to 2012-13	CHORD	Existing Legal Commitments	DMR School Carry Forwards	Previous Council/Executive Decision	Adjusted Budget	(Over)/ Underspend	Variance %age	Explanation
Customer Services	Executive Director of Customer Services	14,210,442	14,244,678							14,244,678	34,236	0.24%	Outwith Reporting Criteria
Customer Services	Head of Facility Services	10,495,803	10,601,249						513,000	10,088,249	(407,554)	-4.04%	This is mainly due to funding asbestos management arrangements, higher inflation than budgeted on transport contracts and delays in agreeing the sourcing strategy for contract renewals with a resultant revised savings estimate to move benefits realisation to 2012-13 onwards and delays in agreeing transport initiatives for 2011-12 thus requiring a lead in to the withdrawal of services. These are partially offset by a reduction in drivers and escorts for Pupil Transport as a result of service review, Pool Cars, Cleaning and Catering.
Customer Services	Head of Governance & Law	1,471,196	1,649,982	5,000					20,000	1,624,982	153,786	9.46%	Mainly due to Licensing and delays in filling posts for maternity leave and absence cover. These savings are partly offset by expenditure in advance of the Local Government Elections.
Customer Services	Head of Support & Customer Services	6,762,354	7,073,076	10,000						7,063,076	300,722	4.26%	Underspend relates to savings achieved in advance of the service review in areas such as Housing Benefits, Housing Benefit Admin, Commissioning, Procurement and Council Tax.
Customer Services Total		**32,939,794**	**33,568,984**	**15,000**	**0**	**0**	**0**	**0**	**533,000**	**33,020,984**	**81,190**		

REVENUE BUDGET MONITORING 2011-12 - DEPARTMENTAL OUTTURN SUMMARIES

APPENDIX 2

Department	Service	Actuals 2011-12	Budget 2011-12	Unspent Grant Monies carried forward to 2012-13	Third Party Contributions carried forward to 2012-13	CHORD	Existing Legal Commitments	DMR School Carry Forwards	Previous Council/Executive Decision	Adjusted Budget	(Over)/ Underspend	Variance %age	Explanation
Development & Infrastructure Services	Executive Director of Development & Infrastructure Services	1,713,232	2,029,761							2,029,761	316,529	15.59%	Underspend is due to addtional vacancy savings.
Development & Infrastructure Services	Head of Planning & Regulatory Services	3,224,636	3,165,204							3,165,204	-59,432	-1.88%	Outwith Reporting Criteria
Development & Infrastructure Services	Head of Economic Development	3,208,091	3,790,606			84,300	72,743		150,000	3,483,563	275,472	7.91%	The underspend is due to increased income at Port Askaig.
Development & Infrastructure Services	Head of Roads and Amenity Services	24,910,718	23,869,098						130,000	23,739,098	(1,171,620)	-4.94%	The overspend is due to a combination of winter maintenance and storm damage and the transfer of costs from capital to revenue in respect of deferred projects.
Development & Infrastructure Services Total		**33,056,677**	**32,854,669**	**0**	**0**	**84,300**	**72,743**	**0**	**280,000**	**32,417,626**	**(639,051)**		
Grand Total		**203,495,181**	**210,388,541**	**278,496**	**33,409**	**84,300**	**72,743**	**1,221,071**	**3,583,389**	**205,115,133**	**1,619,951**		

Agenda Item 4d

ARGYLL AND BUTE COUNCIL | **COUNCIL**
HEAD OF STRATEGIC FINANCE | **28 JUNE 2012**

CAPITAL PLAN MONITORING REPORT – 31 MARCH 2012: SUMMARY

1 INTRODUCTION

1.1 This report summarises the position for all departments on the capital plan as at 31 March 2012. The report compares the actual outturn against budget for the whole of 2011-12, and total project forecast and budget expenditure. Appendix 1 shows the knock on effect of slippage to the 2012-13 approved capital plan.

- Actual outturn is a variance of £1,387k.
- Total project costs forecast to exceed the budget by £70k

2 RECOMMENDATIONS

2.1 The capital plan position report is noted.

3 DETAIL

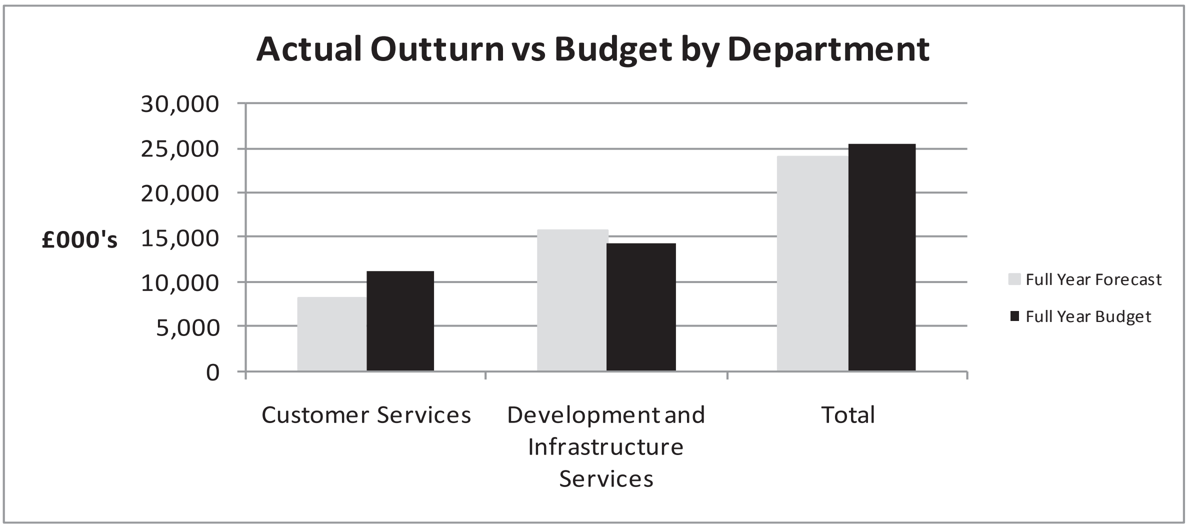
3.1 The overall Council financial summary outlines financial performance on the capital plan for the whole of 2011-12. Actual outturn expenditure for 2011-12 is £23,975k compared to a budget of £25,362k giving a variance of £1,387k which is an underspend of 5%. In terms of total project costs, these are forecast to exceed the budget by £70k.

3.2 **The main projects contributing to the 2011-12 variance are shown below:**

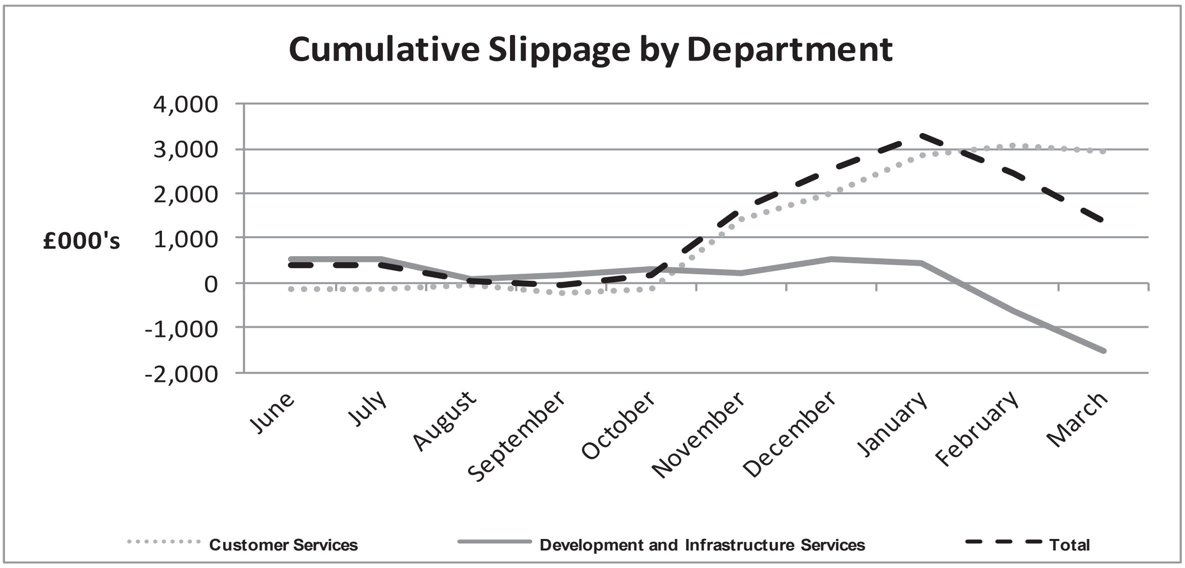
Project	**Variance £000s**	**Explanation**
Islay High / Bowmore Primary School Carbon Management Project	430	Longer than anticipated manufacturing time for Biomass plant. The project will still complete in 2012-13 but in October rather than April. Early re-appraisal of project indicates a saving of £50k+ is likely.
Kilmory Biomass Project	397	Longer than anticipated manufacturing time for Biomass plant. The project will still complete in 2012-13 but in November rather than April.
Graham Williamson IT Centre	389	Negotiations are continuing with the property owner over its purchase.
Total	**£1,216k**	

3.3 The decrease in total slippage from February is £1,067k. The decrease is due in the main to an acceleration of £643k in Roads Reconstruction.

3.4 The graph below shows the actual outturn and budget per department.



3.5 The graph below shows the trend as slippage.



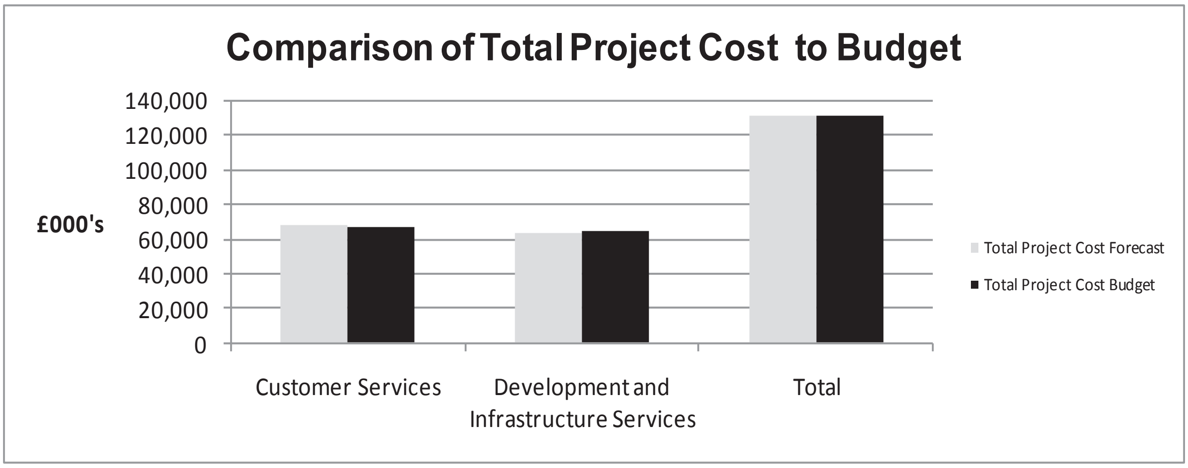
3.6 Slippage has no effect on the overall cost of a project. It simply changes the years in which the expenditure is incurred. This does change the budget in a particular year and members should be aware of this change. Appendix 1 details for each project the revised budget for 2012-13 after adjusting for slippage.

4 TOTAL PROGRAMME

4.1 The current financial outturn position as at the end of March 2012 is for a forecast total project cost overspend of £70k. Current forecast total project cost is £131,682k against a budget of £131,612k.

4.2 The main projects forecasting an overspend are Education residual projects. A report is provided in the Departmental Summary.

4.3 The graph below shows how the £70k overspend is distributed across the departments. The pale shade represents the forecast total project cost and the darker shade represents the total project cost budget.

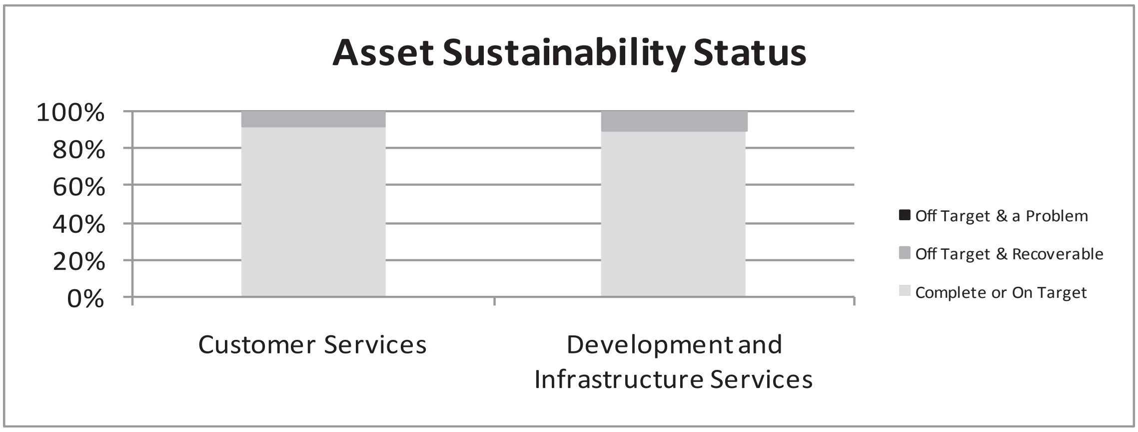


5 PROJECT PERFORMANCE

ASSET SUSTAINABILITY

5.1 The graph below shows the status of asset sustainability projects shown as Complete or On Target, Off Target & Being Recovered or Off Target & a Problem. At 31 March the position was:

- 182 projects On Target
- 16 projects Off Target & Recoverable
- 0 projects Off Target

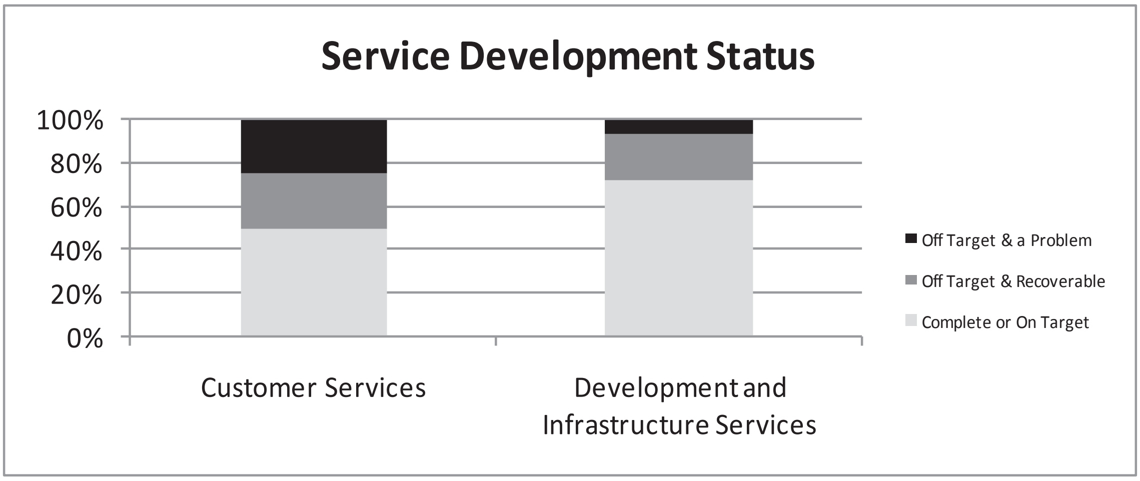


SERVICE DEVELOPMENT

5.2 The graph below shows the status of service development projects shown as Complete or On Target, Off Target & Being Recovered or Off Target & a Problem. At 31 March the position was:

- 32 projects shown as On Target
- 12 projects shown as Off Target & Recoverable
- 8 projects shown as Off Target, these are:

  - Consolidated Server Replacement – Dependent on GWITC server room development which is behind schedule.
  - IT Enablement Process for Change – Reduction in business broadband installations.
  - Graham Williamson IT Centre – The purchase will be concluded when negotiations with the owner are complete.
  - Applications Project – Due to other work pressures for Strategic Finance & Financial Services, slippage of projects has impacted on the range of projects that can be undertaken this year.
  - Dunoon Children's Unit – Reluctance on behalf of the developer, who is constructing the home, to expedite matters.
  - Dunclutha Bungalow – The developer's continued inability to progress the project.
  - Milton Burn – Unforeseen ground conditions causing delays.
  - Tayinloan Slip –The contractor has programmed the works such that the expenditure forecast has now accelerated.

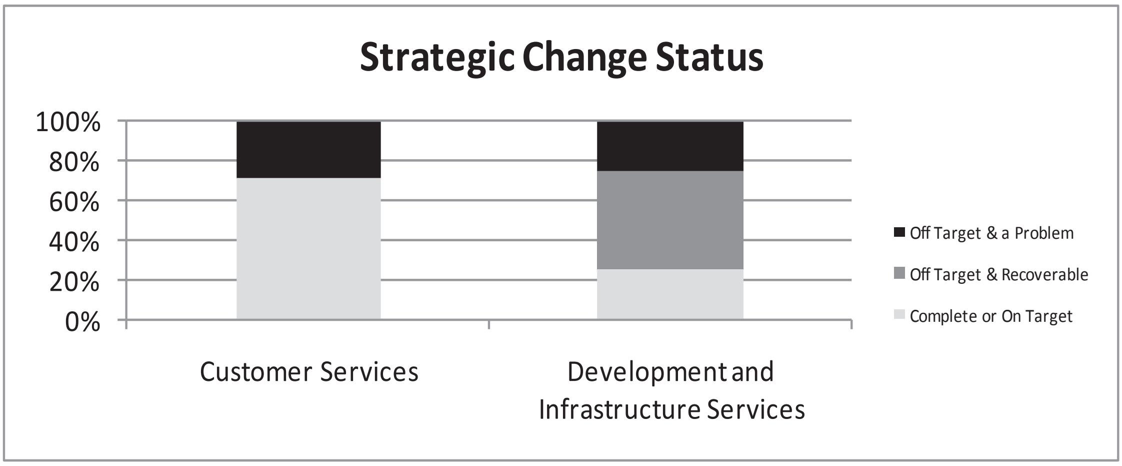


STRATEGIC CHANGE

5.3 The graph below shows the status of strategic change projects shown as Complete or On Target, Off Target & Being Recovered, or Off Target & a Problem. At 31 March the position was:

- 12 projects shown as On Target
- 4 projects shown as Off Target & Recoverable
- 6 projects shown as Off Target, these are:

- Primary & Pre 5 Joint Campus in Dunoon – As a result of changing government funding arrangements the level of design input at this stage has been reduced.
- Kilmory Biomass – Longer than anticipated manufacturing time for Biomass plant.
- Islay High/Bowmore Primary School Carbon Management– Longer than anticipated manufacturing time for Biomass plant.
- Oban High Biomass – Delays due to regulatory timescale for reinforcing gas network.
- Rothesay Harbour Ferry Berth Improvements – Awaits completion of remedial work before a Maintenance certificate can be issued.
- Kintyre Renewables Hub - The contractor now has firmer delivery dates for materials which has put back the start of the project, although it should still complete within the overall timescale.



For further information please contact Bruce West, Head of Strategic Finance 01546-604220

Bruce West
Head of Strategic Finance
20 June 2012

Appendix 1 – Overall Capital Plan Monitoring Report for 2011-12
Appendix 2 – Revised Capital Plan 2012-2013

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL FINANCIAL SUMMARY - 31 MARCH 2012

	Full Year This Financial Year			Total Project Costs		
	Actual £000s	Budget £000s	Variance £000s	Forecast £000s	Budget £000s	Variance £000s
Asset Sustainability						
Customer Services	6,259	6,758	499	43,162	42,043	-1,119
Development & Infrastructure Services	12,099	11,122	-977	30,643	31,015	372
Asset Sustainability Total	**18,358**	**17,880**	**-478**	**73,805**	**73,058**	**-747**
Service Development Projects						
Customer Services	849	1,965	1,116	8,138	8,089	-49
Development & Infrastructure Services	2,577	1,713	-864	7,810	8,095	285
Service Development Total	**3,426**	**3,678**	**252**	**15,948**	**16,184**	**236**
Strategic Change Projects						
Primary & Pre 5 Joint Campus in Dunoon	67	132	65	375	375	0
Campbeltown Schools Redevelopment	42	75	33	100	100	0
Oban Office Rationalisation	19	19	0	30	30	0
Dunoon Office Rationalisation	29	30	1	30	30	0
Kilmory Biomass Carbon Management	12	409	397	474	486	12
Islay HS/Bowmore PS Carbon Management	10	440	430	441	515	74
Oban HS Biomass Carbon Management	15	395	380	109	489	380
Dalintober PS Carbon Management	49	56	7	53	60	7
Campbeltown Grammar	0	5	5	5	5	0
Islay Wind Project	0	12	12	12	12	0
New Helensburgh Swimming Pool	10	0	-10	162	152	-10
NPDO Capital Requirement - residual payments	1	1	0	6,030	6,030	0
Aqualibrium - residual payments	0	10	10	6,191	6,191	0
Helensburgh Office Project	871	845	-26	2,689	2,689	0
Kintyre Renewables Hub	918	1,219	301	7,162	7,162	0
Oban Development Road	0	5	5	363	368	5
A848 Salen - Tobermory	0	5	5	268	273	5
Bruichladdich Pier	0	5	5	2,088	2,088	0
Rothesay Harbour Ferry Berth Improvements	4	10	6	6,433	6,422	-11
Dunoon Pier	32	0	-32	987	987	0
Port Askaig Pier	51	70	19	3,823	3,802	-21
Improvements to Landfill Sites Islay & Mull	61	61	0	4,104	4,104	0
Strategic Change Total	**2,191**	**3,804**	**1,613**	**41,929**	**42,370**	**441**
Total for all Departments	**23,975**	**25,362**	**1,387**	**131,682**	**131,612**	**-70**

Full year outturn for 2011-12 is £23,975k compared to the budget of £25,362k, giving a variance of £1,387k. In terms of total project costs these are currently forecast to exceed the budget by £70k.

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - FINANCIAL PERFORMANCE -CUSTOMER SERVICES - 31 MARCH 2012

		Full Year This Financial Year			Total Project Costs		
		Actual £000s	Budget £000s	Variance £000s	Forecast £000s	Budget £000s	Variance £000s
Asset Sustainability							
Education		3,145	3,188	43	3,924	3,356	-568
Non Education		63	150	87	113	150	37
PC Replacement		717	751	34	2,213	2,213	0
Planning Scanners Replacement		20	12	-8	44	36	-8
Argyll House Heating & Lighting Upgrade		44	58	14	48	60	12
Campbeltown Registrars Office		20	28	8	22	29	7
Kilmory CWS Tank & Lightning Protection		54	53	-1	55	55	0
Capital Property Works		30	60	30	100	100	0
Rothesay Leisure Pool		135	324	189	330	330	0
Residual Projects		2,031	2,134	103	36,313	35,714	-599
Asset Sustainability Total		**6,259**	**6,758**	**499**	**43,162**	**42,043**	**-1,119**
Service Development Projects							
Graham Williamson IT Centre		16	405	389	406	406	0
Property Management System		47	90	43	90	90	0
Education Domain Extension		140	145	5	435	435	0
Consolidated Server Replacement		0	350	350	700	700	0
IT Enablement Process for Change		227	483	256	931	931	0
Applications Projects		23	257	234	666	703	37
Flexi System Ph 2 extra sites		0	14	14	33	33	0
Flexi System HRS Integration		0	37	37	37	37	0
Cash Receipting		0	1	1	113	86	-27
Home Working /Mobile Working Pilot		0	11	11	72	72	0
Fleet Management		10	0	-10	57	47	-10
Taynuilt Primary Additional Classroom		81	175	94	141	200	59
Southend Primary School (Partial re-build)		0	-6	-6	86	80	-6
Class size reduction		62	60	-2	622	620	-2
Tobermory Early Years - Tobermory High		55	10	-45	495	450	-45
Campbeltown Nursery		16	0	-16	554	526	-28
Bowmore PS Gaelic Unit		5	5	0	25	25	0
Dunoon Family Mediation Centre		53	55	2	63	55	-8
Ledaig Replacement of Mobile Home		4	5	1	61	61	0
Campbeltown II Weather Pitch		44	0	-44	92	48	-44
Office Rationalisation		0	3	3	664	667	3
Mull & Iona Progressive Care Centre		58	77	19	773	792	19
Residential Respite Care Facility		6	10	4	495	498	3

Dunoon Childrens Unit				0	-14	-14	0	0	0
Dunclutha Bungalow				2	122	120	148	148	0
Oban High Community Facility				0	-330	-330	379	379	0
Service Development Total				**849**	**1,965**	**1,116**	**8,138**	**8,089**	**-49**
Strategic Change Projects									
Primary & Pre 5 Joint Campus in Dunoon				67	132	65	375	375	0
Campbeltown Schools Redevelopment				42	75	33	100	100	0
Oban Office Rationalisation				19	19	0	30	30	0
Dunoon Office Rationalisation				29	30	1	30	30	0
Kilmory Biomass Carbon Management				12	409	397	474	486	12
Islay HS/Bowmore PS Carbon Management				10	440	430	441	515	74
Oban HS Biomass Carbon Management				15	395	380	109	489	380
Dalintober PS Carbon Management				49	56	7	53	60	7
Campbeltown Grammar				0	5	5	5	5	0
Islay Wind Project				0	12	12	12	12	0
New Helensburgh Swimming Pool				10	0	-10	162	152	-10
NPDO Capital Requirement - residual payments				1	1	0	6,030	6,030	0
Aqualibrium - residual payments				0	10	10	6,191	6,191	0
Helensburgh Office Project				871	845	-26	2,689	2,689	0
Strategic Change Total				**1,125**	**2,429**	**1,304**	**16,701**	**17,164**	**463**
Departmental Total				**8,233**	**11,152**	**2,919**	**68,001**	**67,296**	**-705**

Full year outurn for 2011-12 is £8,233k compared to a budget of £11,152k, giving a variance of £2,919k. In terms of total project costs these are currently forecast to exceed the budget by £705k.

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - PROJECT PERFORMANCE -CUSTOMER SERVICES - 31 MARCH 2012

Asset Sustainability Project Progress	Complete or On Target No Of Projects	Off Target & Being Recoverd No Of Projects	Off Target & Problem No Of Projects	Comments On Asset Sustainability Programmes
Education	39	2	0	Out of 168 asset sustainability projects there are 155 on target or complete and 13 off target but being recovered.
Non Education	5	0	0	
Argyll House Heating & Lighting Upgrade	1	0	0	
Campbeltown Registrars Office	1	0	0	
Kilmory CWS Tank & Lightning Protection	1	0	0	
Capital Property Works	1	0	0	
Rothesay Leisure Pool	0	1	0	
Residual Projects	107	10	0	
Asset Sustainability Total	155	13	0	

Service Development Projects	Completion of OBC		Curr Year Exp RAG	Project Total Exp RAG	Benefits Expected RAG	Deliverability Of Project RAG	Project Risks RAG	Exception Report Yes/No	Comments
	Due Date	On Track							
Graham Williamson IT Centre			R	G	G	G	G	Yes	There is a red flag against 6 of the 22 service development projects. Graham Williamson IT Centre, Consolidated Server Replacement, and Applications Projects are classed as red against current year spend. IT Enablement Process for Change is classed as red for current year spend and total project expenditure. Dunoon Children's Unit and Dunclutha Bungalow are classed
Property Management System	01-Apr-12		A	G	G	G	G	No	
Education Domain Extension			A	G	G	G	G	No	
Consolidated Server Replacement			R	G	G	G	G	Yes	
IT Enablement Process for Change	22/12/2009	Yes	R	R	G	G	G	Yes	
Applications Projects			R	G	G	G	G	Yes	
Flexi System Ph 2 extra sites	Residual projects already approved, no OBC required		A	G	G	G	G	No	
Flexi System HRS Integration			A	G	G	G	G	No	
Cash Receipting			G	G	G	G	G	No	
Home Working /Mobile Working Pilot			G	G	G	G	G	No	
Fleet Management			A	A	G	G	G	No	
Tobermory Early Years - Tobermory High			G	G	G	G	G	No	
Southend Primary School (Partial re-build)			G	G	G	G	G	No	
Class size reduction			G	G	G	G	G	No	
Campbeltown Nursery - Capital Fund			G	G	G	G	G	No	
Bowmore Gaelic Unit			G	G	G	G	G	No	
Ledaig Replacement of Mobile Home			G	G	G	G	G	No	
Campbeltown All Weather Pitch			A	G	G	G	A	No	

Office Rationalisation		G	G	G	G	G	No	as red against all categories.
Mull & Iona Progressive Care Centre		G	G	G	G	G	No	
Residential Respite Care Facility		G	G	G	G	G	No	
Dunoon Childrens Unit		R	R	R	R	R	Yes	
Dunclutha Bungalow		R	R	R	R	R	Yes	
Oban High Community Facility		G	G	G	G	G	No	

Strategic Change Projects

	Completion of OBC		Completion of FBC		Curr Year Exp RAG	Project Total Exp RAG	Benefits Expected RAG	Deliverability Of Project RAG	Project Risks RAG
	Due Date	On Track	Due Date	On Track					
Primary & Pre 5 Joint Campus in Dunoon	01-Nov-10	Yes			R	G	G	G	G
Campbeltown Schools Redevelopment	01-Nov-10	Yes			G	G	G	G	G
Oban Office Rationalisation	01-Oct-10	Yes			G	G	G	G	G
Dunoon Office Rationalisation	2011/12	Yes			G	G	G	G	G
Kilmory Biomass Carbon Management					R	G	G	G	G
Islay HS/Bowmore PS Carbon Management					R	R	G	G	G
Oban HS Biomass Carbon Management					R	R	G	G	G
Dalintober PS Carbon Management					G	G	G	G	G
Campbeltown Grammar					G	G	G	G	G
Islay Wind Project					G	G	G	G	G
Helensburgh Office Project	Mar-09	Approved	Jun-10	Yes	G	G	G	G	G
NPDO Capital Requirement - residual payments	Residual projects already approved, no OBC required		Residual projects already approved, no FBC required		G	G	G	G	G
New Helensburgh Swimming Pool					G	G	G	G	G
Aqualibrium - residual payments					G	G	G	G	G

Capital Plan Commentary - Key Successes	Capital Plan Commentary - Key Challenges	Capital Plan Commentary - Key Actions
Successful implementation of the Education Capital Programme with expenditure on 2011/12 projects being within 1.3% of the approved budget. Within this programme was the successful completion of the critically aclaimed "Try Before You Buy " experimental teaching area within Campbeltown Grammar School.		

Decisions/Approval Required
None

Project Name – **First Added to Capital Plan –** **Project Manager –**	Consolidated Server Replacement 2011/12 S.McKenzie				
	Tender Issue	Tender Return	Works Start	Works Complete	Cost £
Original Plan: Gross Exp Income Net Exp	n/a	n/a	Nov 2011	April 2012	£350,000 in 2011-12 £350,000 In 2012-13
Current Forecast: Gross Exp Income Net Exp	n/a	n/a	March 2012	Sept 2012	£0 in 2011-12 £700,000 in 2012-13
Variance: Gross Exp Income Net Exp					minus £350,000 in 2011-12 plus £350,000 in 2012/13
Contractor :	To be defined based on options appraisal.				

What is this project?

The Council's ICT service delivers a consolidated server environment that hosts most of the Council's important corporate and service-specific systems - these include most of the online services the Council offers to the public.

Growth in the number and complexity in systems has been met since the initial procurement in 2005 by adding components piecemeal. However, added components rely on core units which, by 2012, will have been subject to 7 years 'wear and tear'. With this in mind capital funding has been allocated for the refresh of the server components during financial years 2011/12 and 2012/13. This project seeks to replace the older existing locally-hosted server infrastructure.

How is this project funded?

IT Capital Programme.

Why is this project classified as red?

Slippage of £350k slippage to 2012-13.

What has caused the issue outlined above?
In addition to the standard approach to replacing servers, opportunities have emerged for a broader range of options for providing the required future server infrastructure. These options may potentially offer better value for the Council in the future and require to be explored more fully at this stage. There has also been a delay caused by the underlying dependency on the progress of the GWITC server room alterations which are behind schedule.
What action will be taken to rectify this issue?
Server room alterations delay to be escalated with Facility Services. A broader options appraisal is being undertaken for provision of the required server infrastructure.
What are the implications of the action proposed?
Slippage of £350k to 2012/13 resulting in full £700k to be spent in 2012/13.

Project Name – **First Added to Capital Plan –** **Project Manager –**	IT Enablement of Process for Change 2010/11 J McVey / S McKenzie				
	Tender Issue	Tender Return	Works Start	Works Complete	Cost £
Original Plan: Gross Exp Income Net Exp	n/a	n/a	April 2010	March 2014	£483,000 in 2011-12
Current Forecast: Gross Exp Income Net Exp	n/a	n/a	January 2010	Sept 2014	£227,000 in 2011-12
Variance: Gross Exp Income Net Exp					£256,000 in 2011-12
Contractor :	Various suppliers for both the Customer Management and Workforce Deployment projects.				

What is this project?

Two Process for Change projects as follows :

- The Customer Management project is intended to introduce more streamlined approaches to customer engagement and service delivery with resulting quality improvements and efficiency savings. The IT enablement includes contact centre systems , automated call handling and the development of the website and related online access facilities for the public.
- The Workforce Deployment is intended to introduce more flexible staff working methods which will produce quality of service improvements and efficiency savings. The IT enablement includes technology to allow staff to move and work easy from different offices , work more effectively when 'on-site' and work from home. It will also introduce new web and audio conferencing facilities to allow staff to collaborate more effectively across distances with consequent savings in time and other travel related costs .

How is this project funded?

IT Capital Programme and Revenue from earmarked reserves.

Why is this project classified as red?

Variance of £256,000 made up of £10,000 savings, £116,000 slippage to 2012-13 and slippage of £130k to 2013/14

What has caused the issue outlined above? In Customer Management previously identified technology requirements have been met at lower than anticipated cost.
What action will be taken to rectify this issue? New IT requirements and re-profiled spend to be monitored by HR/Process for Change Board.
What are the implications of the action proposed? Slippage of £256,000 split across years 2012/13 (116k) and 2011/12(130k).

Project Name – **First Added to Capital Plan –** **Project Manager –**	Applications Project 2011/12 J Stewart / John McVey				
	Tender Issue	Tender Return	Works Start	Works Complete	Cost £
Original Plan: Gross Exp Income Net Exp	n/a	n/a	January 2011	March 2011	£257,000 in 2010-11
Current Forecast: Gross Exp Income Net Exp	n/a	n/a	January 2012	June 2012	£23,000 in 2011-12
Variance: Gross Exp Income Net Exp					£114,000 in 2012-13 £120,000 in 2013-14
Contractor :	Expert services to be procured for implementation of Commitment Accounting;				

What is this project?

Two areas of project expenditure:

- The purchase an implementation of the Oracle Commitment Accounting module for which a licence has been purchased but requires specialist services for its implementation.
- Software and services to associated with a Personnel Cost Planning solution.

How is this project funded?

IT Capital Programme and earmarked reserves.

Why is this project classified as red?

Both projects have slipped. Licences have been purchased for the Commitment Accounting module within Oracle and arrangements are being finalised for the services for its implementation.
Progress has not been as expected for securing a Personnel Cost Planning solution.

What has caused the issue outlined above?
Due to other work pressures for Strategic Finance and Financial Services, slippage of projects (and associated budget),from 2010 including the ORACLE upgrade, Commitment Accounting and integration of HR costing information and FMS have impacted on the range of projects that can be undertaken this year and budget required.
What action will be taken to rectify this issue? Continued engagement with Finance and Strategic Finance for progression of the Commitment Accounting. The allocation of funding for other ICT Application projects is being assessed.
What are the implications of the action proposed? Slippage to 2012/13 and 2013/14.

Project Name – Education and Non Educational **First Added to Capital Plan** – 2011/2012 Residual Projects **Project Manager** – A S Redpath
What project? Education and Non Education Capital programme
How is this project funded? From the above mentioned Programmes
Why are projects classified as red? Residual commitments are as follows Educational £436k (or 1.8%) over the approved budget Non Educational £145k (or 3.9%) over the approved budget It should be noted that on the majority of projects the amount of the overspend is small, however because of the very large numbers of projects involved the cumulative effect is more substantial, although very small in percentage terms.
What has caused the issue outlined above? Costs have increased due to work on projects being extended with client agreement. Unforeseen costs and additional works have come to light as work progresses on site. Additional commitments have been entered into where the works are being carried out on isolated island sites where access is expensive for additional future contracts. Similarly judgements have been made regarding the good value to be obtained for example by instructing additional works when contractors have scaffolding in place.
What action will be taken to rectify this issue? As part of the budget process cognisance is taken of projected residual overspends, to allow available budgets (from the block allocation) to be established. Expenditure in the year to the 31 March 2013 will be kept under review prior to contracts being let. We will be reviewing our commitments to further expenditure and where necessary will commit only such expenditure as required to match overall budgets within the Asset Sustainability category of projects

What are the implications of the action proposed?
Reduced or amended capital expenditure in the year to 31 March 2013 and 2014 Review and reallocate budgets within Education and Non Education programmes. Revised budget spend on certain individual projects.

Project Name – Dunoon Childrens Unit
First Added to Capital Plan – 04/05
Project Manager – A S Redpath

	Tender Issue	Tender Return	Works Start	Works Complete	Cost £
Original Plan: Gross Exp Income Net Exp	n/a	n/a	July 2005	March 2006	 464,000 464,000 0
Current Forecast: Gross Exp Income Net Exp	n/a	n/a	Unknown	Unknown	 464,000 464,000 0
Variance: Gross Exp Income Net Exp					 0 0 0
Contractor	Ecos Construction				

What is this project?

The replacement of the existing unit.

How is this project funded?

The construction of the home is free of charge to the council as part of the offer for the larger Dunclutha site.

Why is this project classified as red?

The deliverability and project risks are currently classified as high given the Developer's continued inability to progress the project. In addition, the forecast "expenditure" and corresponding income for the current financial year have been reduced to £0. A building warrant has now been issued for the construction of the new home; however there are no indications of an early start on the works.
In recent weeks we have been advised that the Developer is now no longer in a position to move forward with the development.

What has caused the issue outlined above?

Reluctance on the behalf of the developer, who is constructing the home, to expedite matters and his subsequent inability to proceed.

What action will be taken to rectify this issue? Under the 2012/13 agreed capital programme a budget has now been approved for an Options Appraisal to be carried out into the way forward for the existing Dunclutha Home. Discussions are ongoing with Legal and Social Work Colleagues as well as the regulatory authorities into options for replacing the current children's home.
What are the implications of the action proposed? The completion of the facility will be delayed and a budget may ultimately be required for a council funded replacement for the existing Dunclutha Childrens Home.

Project Name – Dunclutha Bungalow/View Cottage
First Added to Capital Plan – 2009/2010
Project Manager – Allan Redpath

	Tender Issue	Tender Return	Works Start	Works Complete	Cost £
Original Plan: Gross Exp Income Net Exp	Oct 2009	Dec 2009	January 2010	March 2010	 148,000 0 148,000
Current Forecast: Gross Exp Income Net Exp	Nov 2009	Dec 2009	Unknown	Unknown	 148,000 0 148,000
Variance: Gross Exp Income Net Exp					 0 0 0
Contractor	Not yet appointed.				

What is this project?
The conversion of a derelict bungalow adjacent to Dunclutha Children's Home, into a new Social Work Day centre. Access into the new facility is gained from a new entrance road being constructed by the developer who is constructing the new and adjacent children's home.

How is this project funded?

From the Social Work Capital programme

Why is this project classified as red?

The deliverability and project risks are currently classified as high given the Developer's continued inability to progress the project. In addition, expenditure in the current year has been reduced to £0. A building warrant has now been issued for the construction of the new home; however there are no indications of an early start on the works. In recent weeks we have been advised by legal colleagues that the developer is no longer able to proceed with the childerns home scheme, hence the required access will no longer be available to this proposed facility.

What has caused the issue outlined above? Access to the new Day Centre is gained from an extended access road and car park which serves the new Children's Home. The new home is being constructed by a Developer and construction work is substantially behind programme. (Work has not yet started). Revised timescales are currently awaited from Legal and Protective Services. In recent weeks we have been advised by legal colleagues that the developer is no longer able to proceed with the children's home scheme, hence the required access will no longer be available to this proposed facility.
What action will be taken to rectify this issue? Given the passage of time from the budget being approved and with the inevitable further decline in the condition of the property, consideration should now be given to allocating this funding to other projects. A new business case would then be needed to justify new funding for this project, if the current need can be demonstrated. At this stage a decision could be taken as to whether the conversion of this property at possibly greater cost is the optimum solution to meet the service need.
What are the implications of the action proposed? The opening of the facility continues to be delayed.

Project Name – Extension to Taynuilt Primary School
First Added to Capital Plan – 2010/2011
Project Manager – Allan Redpath

	Tender Issue	Tender Return	Works Start	Works Complete	Cost £
Original Plan: Gross Exp Income Net Exp	August 2011	September 2011	December 2011	March 2012	 200,000 0 200,000
Current Forecast: Gross Exp Income Net Exp	August 2011	September 2011	January 2012	May 2012	 141,000 0 141,000
Variance: Gross Exp Income Net Exp					 59,000 0 59,000
Contractor	Not yet appointed.				

What is this project?

The provision of an extension to the school to provide an additional classroom.
.

How is this project funded?

From the Education Capital programme

Why is this project classified as red?

Expenditure in the 2011/12 financial year is £94,000 less than the budget and the overall expenditure for the project is currently forecast as £141,000 (£59,000 less than the budget).

What has caused the issue outlined above?

a) The tenders received for the project were exceptionally competitive and well below the budget.
b) Completion was delayed as a result of adverse weather and material supply issues.

What action will be taken to rectify this issue?

Close liason has taken place with the school to ensure that they were well informed of developments and they are geared to use the facility at the start of the autumn term.

The under spend on this project will be available to offset some overspends on other education projects.

What are the implications of the action proposed?

The opening of the facility has been delayed slightly. Funding is released to partly offset overspends on other education projects.

Project Name – Oban High Community Facility **First Added to Capital Plan – June 2003** **Project Manager: C. Houston**					
	Tender Issue	Tender Return	Works Start	Works Complete	Cost £
Original Plan: Gross Exp Income Net Exp					 1,028,000 651,000 377,000
Current Forecast: Gross Exp Income Net Exp					 1,030,000 651,000 379,000
Variance: Gross Exp Income Net Exp					 -2,000 0 -2,000
Contractor	ERDC – project completed				
What is this project? Full sized all weather pitch. Pitch construction completed within project budget and facility fully operational.					
How is this project funded? Council Capital Programme and Sportscotland match funding					
Why is this project classified as red? Sale of land identified within 2008-9 capital programme. Variance of £330,000.					
What has caused the issue outlined above? The procurement of land adjacent to Oban High was required to allow this project to proceed. A capital receipt of £330,000 was identified within the capital programme for 2008-9 in respect to the future sale of Council owned land.					
What action will be taken to rectify this issue? The future scope and timescale for land sale will require to be considered					
What are the implications of the action proposed? As above					

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - FINANCIAL PERFORMANCE - DEVELOPMENT & INFRASTRUCTURE SERVICES - 31 MARCH 2012

	Full Year This Financial Year			Total Project Costs		
	Actual £000s	Budget £000s	Variance £000s	Forecast £000s	Budget £000s	Variance £000s
Asset Sustainability						
Flood Prevention	178	522	344	1313	1499	186
Bridge Strengthening	386	420	34	2349	2349	0
Roads Reconstruction	7763	7120	-643	15720	15720	0
Lighting	815	600	-215	1800	1800	0
Environmental	159	252	93	574	597	23
PC Upgrades	30	100	70	149	200	51
HITRANS	249	250	1	932	933	1
Traffic Management	99	206	107	312	406	94
Zero Waste Fund	61	69	8	303	303	0
Port Askaig Berth Protection	0	20	20	300	300	0
Kidston Park PC	8	100	92	127	123	-4
Fleet Management	1730	769	-961	5451	5451	0
Residual Projects	621	694	73	1313	1334	21
Asset Sustainability Total	**12,099**	**11,122**	**-977**	**30,643**	**31,015**	**372**
Service Development Projects						
A83 South of Muasdale	45	17	-28	600	590	-10
A849 Pennyghael Bridge Mull	3	3	0	135	135	0
A816 Oude Bridge Realignment	0	3	3	135	135	0
A816 Tibertich No 1 Bridge	1	3	2	40	40	0
A816 Ford Rd End to Mill Brae	0	1	1	273	273	0
Tayinloan Slip	1,214	1,011	-203	2,150	2,650	500
Preliminary design for Regional Transport projects	0	5	5	221	221	0
A814 Bend at Mollandhu	2	2	0	153	153	0
Cycleways	19	0	-19	-294	-313	-19
Milton Burn	1,091	501	-590	2,486	2,300	-186
Dunoon Town Centre Regeneration	12	12	0	513	513	0
Bowmore Town Centre Regeneration	7	7	0	487	487	0
Campbeltown Old Quay	11	60	49	800	800	0
Portnacroish to Inverfolla cycle route	6	7	1	0	0	0
Safe Streets, Walking and Cycling	0	11	11	0	0	0
B836 Sandbank - Dunoon	0	8	8	0	0	0
Sealife Cnt to Creagan Br Ph 2A	0	1	1	0	0	0
Kilmartin to B840 Cycleway	39	39	0	0	0	0
Taynuilt Footbridge	0	3	3	0	0	0
Marine Access to Nat. Park	0	2	2	0	0	0
Ganavan - Park PS Cycleway	0	3	3	0	0	0

Garelochhead - 3 Lochs Way Path				0	1	1	0	0	0
Oban Hospital Cycle/Footpath Link				32	0	-32	0	0	0
Dalmally Village Hall Path Link				10	0	-10	0	0	0
Rhu Cycleway Link				0	0	0	0	0	0
Mid Argyll Hospital Remote Path				38	0	-38	0	0	0
Tarbert Community Pitch Path Link				29	0	-29	0	0	0
Oban Sustainable Travel Mapping/Signage				0	0	0	0	0	0
Cycle Parking				2	0	-2	0	0	0
Dunbeg Shared Use Path				1	0	-1	0	0	0
Helensburgh Pier				0	0	0	111	111	0
SPfT				15	13	-2	0	0	0
Service Development Total				**2,577**	**1,713**	**-864**	**7,810**	**8,095**	**285**
Strategic Change Projects									
Kintyre Renewables Hub				918	1,219	301	7,162	7,162	0
Oban Development Road				0	5	5	363	368	5
A848 Salen - Tobermory				0	5	5	268	273	5
Bruichladdich Pier				0	5	5	2,088	2,088	0
Rothesay Harbour Ferry Berth Improvements				4	10	6	6,433	6,422	-11
Dunoon Pier				32	0	-32	987	987	0
Port Askaig Pier				51	70	19	3,823	3,802	-21
Improvements to Landfill Sites Islay & Mull				61	61	0	4,104	4,104	0
Strategic Change Total				**1,066**	**1,375**	**309**	**25,228**	**25,206**	**-22**
Departmental Total				**15,742**	**14,210**	**-1,532**	**63,681**	**64,316**	**635**

Full year outturn for 2011-12 is £15,742k compared to a budget of £14,210k, giving a variance of £1,532k. In terms of total project costs these are currently forecast to come in under the budget by £635k.

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - PROJECT PERFORMANCE -DEVELOPMENT & INFRASTRUCTURE SERVICES - 31 MARCH 2012

Asset Sustainability Project Progress	Complete or On Target No Of Projects	Off Target & Being Recoverd No Of Projects	Off Target & Problem No Of Projects	Comments On Asset Sustainability Programmes
Flood Prevention	0	1	0	
Bridge Strengthening	1	0	0	
Roads Reconstruction	1	0	0	
Lighting	1	0	0	
Environmental	1	0	0	
PC Upgrades	0	1	0	Out of 30 asset sustainability projects there are 27 on track and 3 off track but being recovered.
Ulva ferry PC	1	0	0	
Fionnophort PC	1	0	0	
HITRANS	1	0	0	
Traffic Management	1	0	0	
Port Askaig Berth Protection	1	0	0	
Kidston Park PC	1	0	0	
Fleet Management	1	0	0	
Residual Projects	16	1	0	
Asset Sustainability Total	27	3	0	

Service Development Projects	Completion of OBC Due Date	On Track	Curr Year Exp RAG	Project Total Exp RAG	Benefits Expected RAG	Deliverability Of Project RAG	Project Risks RAG	Exception Report Yes/No	Comments
A83 South of Muasdale	Dec-11	Yes	A	A	G	A	A	No	There are red flags against 2 of the 19 service development projects. Milton Burn and Tayinloan Slip are flagged as red for current year's costs and total project cost.
A849 Pennyghael Bridge Mull	Dec-12	Yes	G	G	G	G	G	No	
A816 Oude Bridge Realignment	Dec-12	Yes	A	G	G	G	G	No	
A816 Tibertich No 1 Bridge	Dec-13	Yes	A	G	G	G	G	No	
A816 Ford Rd End to Mill Brae	Aug-09	Yes	A	G	G	G	G	No	
Tayinloan Slip	Dec-10	Yes	R	R	G	G	G	Yes	
Preliminary design for Regional Transport projects			A	G	G	G	G	No	
A814 Bend at Mollandhu			G	G	G	G	G	No	
Cycleways			A	A	A	A	A	No	
Milton Burn			R	R	G	G	G	Yes	
Dunoon Town Centre Regeneration			G	G	G	G	G	No	
Bowmore Town Centre Regeneration			G	G	G	G	G	No	
Portnacroish to Inverfolla cycle route			G	G	G	G	G	No	
Safe Streets, Walking and Cycling			G	G	G	G	G	No	

B836 Sandbank - Dunoon	Residual projects already approved, no OBC required	G	G	G	G	G	No	
Sealife Cnt to Creagan Br Ph 2A		G	G	G	G	G	No	
Kilmartin to B840 Cycleway		G	G	G	G	G	No	
Taynuilt Footbridge		G	G	G	G	G	No	
Marine Access to Nat. Park		G	G	G	G	G	No	
Ganavan - Park PS Cycleway		G	G	G	G	G	No	
Garelochhead - 3 Lochs Way Path		G	G	G	G	G	No	
Oban Hospital Cycle/Footpath Link		G	G	G	G	G	No	
Rhu Cycleway Link		G	G	G	G	G	No	
Mid Argyll Hospital Remote Path		G	G	G	G	G	No	
Tarbert Community Pitch Path Link		G	G	G	G	G	No	
Oban Sustainable Travel Mapping/Signage		G	G	G	G	G	No	
Helensburgh Pier		G	G	G	G	G	No	
SPfT 08/09		G	G	G	G	G	No	

Strategic Change Projects

	Completion of OBC		Completion of FBC		Curr Year Exp RAG	Project Total Exp RAG	Benefits Expected RAG	Deliverability Of Project RAG	Project Risks RAG
	Due Date	On Track	Due Date	On Track					
Kintyre Renewables Hub	Jan-00		Sep-10		R	G	G	G	G
Oban Development Road	Residual projects already approved, no OBC required		Residual projects already approved, no FBC required		G	G	G	G	G
A848 Salen - Tobermory					A	A	G	G	G
Bruichladdich Pier					A	G	G	G	G
Rothesay Harbour Ferry Berth Improvements					R	A	G	G	G
Dunoon Pier					A	G	G	G	G
Port Askaig Pier					A	A	G	G	G
Improvements to Landfill Sites Islay & Mull					G	G	G	G	G

Capital Plan Commentary - Key Successes	Capital Plan Commentary - Key Challenges	Capital Plan Commentary - Key Actions
Major programme of road reconstruction is being successfully delivered through a combination of in house and external partner resources	Increased road reconstruction programme has resulted in a work load over and above that planned for with current structure	External assistance being procured through framework agreement. This assistance will concentrate on project management
	Project risk for Milton Burn of unforseen ground conditions has been realised.	Contractor and Engineer's staff worked together to devise alternative construction method. Project is on programme. Anticipated dditional costs will be met by viring from Flood Prevention allocation.
	Work on Tayinloan Slip disrupted by December storms	Contractor increasing resources but we do not believe this will prevent work slipping to 2012-13.
		£50k of PC Upgrade budget reallocated to specific PC project in 2012-13.
		£50k of Environment allocation slipped due to delays in match funding for Kilmun Mausoleum project

Decisions/Approval Required

Project Name – Tayinloan ferry berth improvements **First Added to Capital Plan – 2008/9** **Project Manger: Martin Gorringe**					
	Tender Issue	Tender Return	Works Start	Works Complete	Cost £
Original Plan: Gross Exp Income Net Exp	Jan 2010	Feb 2010	March 2010	October 2010	 2,650,000 0 2,650,000
Current Forecast: Gross Exp Income Net Exp	June 2011	August 2011	October 2011	May 2012	 2,650,000 500,000 2,150,000
Variance: Gross Exp Income Net Exp	17 months	18 months	19 months	19 months	 0 -500,000 500,000
Contractor	Contractor now appointed				
What is this project? The construction of a suspended slab access-way and a sand bypass which will extend the width of the slipway and prevent future silting. The project will improve the connectivity and resilience of the life line ferry service provided by Calmac to the island of Gigha.					
How is this Project Funded? Funded from Council's Capital Budget and an award of £500,000 has been made from the ERDF.					
Why is this project classified as red? The project is now on site with a programmed completion scheduled for June 2012. The contractor has programmed the works such that the expenditure forecast has now accelerated with a view to exceeding the original forecast.					
What has caused the issue outlined above? The approved work programme shows an accelerated timescale.					
What action will be taken to rectify this issue? The project is being managed on site with a commitment by the contractor to complete to the proposed programme					
What are the implications of the action proposed? Continued monitoring is required and communication with stakeholders to ensure they are advised of any disruptions					

Project Name – Milton Burn, Dunoon – Flood Prevention Scheme First Added to Capital Plan – 2000 Project Manger: Arthur McCulloch					
	Tender Issue	Tender Return	Works Start	Works Complete	Cost £
Original Plan: Gross Exp Income Net Exp	John St. Mar 11. Milton Burn Oct 11	John St. April 11. Milton Burn Nov 11	John St. May 11. Milton Burn Jan 12	John St. Dec 11. Milton Burn Sept 12	 2,300,000 0 2,300,000
Current Forecast: Gross Exp Income Net Exp	John St. Mar 11. Milton Burn Oct 11	John St. April 11. Milton Burn Nov 11	John St. June 11. Milton Burn Jan 12	John St. Feb 12. Milton Burn June12.	 2,486,000 0 2,486,000
Variance: Gross Exp Income Net Exp	None	None	John Street 1 month; Milton Burn none.	John Street 2 months; Milton Burn 3 months early.	 186,000 0 186,000
Contractor	Storie (Argyll) Ltd for first phase completed in 2009. George Leslie Ltd for John Street and for Milton Burn works.				

What is this project?
Flood alleviation measures for the Milton Burn in Dunoon.

How is this Project Funded?
Council's Capital Budget

Why is this project classified as red?
Acceleration of expenditure from future years into current year, and predicted overspend, also a project risk with ground conditions has been realised and therefore overall increase in expenditure.

What has caused the issue outlined above?
Unforeseen ground conditions were encountered in the sewer diversion. This has necessitated a change to the contractor's method of working, causing delays and disruption to his programme which has resulted in a claim for additional costs to be reimbursed.
On the Burn Works contract the contractor has made excellent progress and expenditure has been accelerated.

What action will be taken to rectify this issue? The contractor and Engineer's staff worked closely together to facilitate and engineering solution to provide the sewer diversion given the unstable nature of the running sand encountered and change in vibration limits imposed on the works. This resulted in an auger drilling method being used to install the sewer rather than the trench construction envisaged. The sewer is 4 metres below ground just a few metres in front of a tenement building so caution was exercised with the works at this location. The sewer was completed in November and though the financial consequences are not yet clear it is likely that the allowance for contingencies may be exceeded. As soon as the financial position is clearer, the figures will be reported. The anticipated additional budget (£186,000) for Milton Burn has been vired from Flood Prevention. For the Burn Works, the site staff have worked well to hand over the car park section early and thereby reduce the affects on supermarket users.
What are the implications of the action proposed? The actions above allowed the next phase of the project (The Burn Works) to be progressed in line with the programme. The John street contract was completed on 24 February 2012. Also, the budget for flooding projects overall can be fully utilised on flooding projects including Milton Burn.

REVISED CAPITAL PLAN 2012/13: YEAREND ADJUSTMENTS TO BUDGETS APPROVED FOR 2012/13

Summary	Revised Budgets 2012/13 £000's
Customer Services	17,321
Development & Infrastructure Services	17,812
Total	**35,133**

Key to Category Reference:

RP Residual Project
NP New Project
SD Service Development
AS Asset Sustainability
SC Strategic Change

REVISED CAPITAL PLAN 2012/13: YEAREND ADJUSTMENTS TO BUDGETS APPROVED FOR 2012/13

Customer Services

Project / Description	Category	Revised Budget 2012-13 £000's
PC Replacement	RP/AS	844
Planning Scanners Replacement	RP/AS	12
Upgrading Marriage Rooms	RP/AS	26
Telecomms Network	RP/AS	125
Computer Network Security	RP/AS	50
MS Exchange & Doc Sharing	RP/AS	37
Internet / Online Access	RP/AS	46
Voice over IP	RP/AS	105
Corporate GIS Portal Rollout	RP/AS	41
Video Conferencing	RP/AS	53
IT Education	RP/AS	49
GWITC - Prudential Borrowing		389
Property Management System	RP/SD	43
Education Domain Extension	RP/SD	150
Consolidated Server Replacement	RP/SD	700
IT Enablement Process for Change	RP/SD	236
Applications Projects	RP/SD	307
Flexi System Ph 2 extra sites	RP/SD	14
Cash Receipting	RP/SD	1
Home Working /Mobile Working Pilot	RP/SD	11
Arinagour Primary School 2011-12	RP/AS	2
Barcaldine Primary School 2011-12	RP/AS	2
Bowmore Primary School 2011-12	RP/AS	10
Bunessan Primary School 2011-12	RP/AS	-45
Cardross Primary Schoolv 2011-12	RP/AS	2
Carradale Primary School 2011-12	RP/AS	9
Castlehill Primary School 2011-12	RP/AS	2
Dalintober Primary School 2011-12	RP/AS	50
Dunbeg Primary School 2011-12	RP/AS	2
Easdale Primary School 2011-12	RP/AS	2
Garelochhead PS 2011-12	RP/AS	3
Hermitage Primary School 2011-12	RP/AS	1
Innellan Primary School 2011-12	RP/AS	5
Inveraray Primary School 2011-12	RP/AS	1
John Logie Baird PS 2011-12	RP/AS	11
Kilchattan Primary School 2011-12	RP/AS	5
Lismore Primary School 2011-12	RP/AS	1
Luing Primary School 2011-12	RP/AS	2
Park Primary School 2011-12	RP/AS	2
Port Ellen Primary School 2011-12	RP/AS	5
Small Isles Primary School 2011-12	RP/AS	1

Project / Description	Category	Revised Budget 2012-13 £000's
Strachur Primary School 2011-12	RP/AS	5
Taynuilt Primary School 2011-12	RP/AS	17
Tayvallich Primary School 2011-12	RP/AS	5
Tiree Primary School 2011-12	RP/AS	165
Campbeltown Grammar 2011-12	RP/AS	2
Islay High School 2011-12	RP/AS	7
Oban High School 2011-12	RP/AS	10
Tobermory High School 2011-12	RP/AS	5
Dunoon Comm Ed Centre	RP/AS	75
Kintyre Comm Ed Centre	RP/AS	25
Bute Comm Ed Centre	RP/AS	20
Lochgilphead Comm Ed Centre	RP/AS	10
Barcaldine Primary School 2010-11	RP/AS	5
Cardross Primary School 2010-11	RP/AS	10
Dalintober Primary School 2010-11	RP/AS	10
Dunbeg Primary School 2010-11	RP/AS	5
Easdale Primary School 2010-11	RP/AS	-35
Kilcreggan Primary School 2010-11	RP/AS	2
Kilninver Primary School 2010-11	RP/AS	2
Lochnell Primary School 2010-11	RP/AS	1
Oban High School 2010-11	RP/AS	-25
Tiree High School 2010-11	RP/AS	-25
Campbeltown Grammar 2010-11	RP/AS	25
Islay High School 2010-11	RP/AS	-25
Dunoon Community Education Centre	RP/AS	55
Dunoon Hostel 2010-11	RP/AS	1
Glencruitten Hostel 2010-11	RP/AS	1
Arrochar Primary School	RP/AS	7
Keills Primary School	RP/AS	-14
Kilchrenan Primary School	RP/AS	-5
Kilcreggan Primary School	RP/AS	-5
North Bute Primary School	RP/AS	228
Park Primary School	RP/AS	-20
St Joseph's Primary School	RP/AS	-20
Outstanding Energy Efficiency - various	RP/AS	-9
Oban High School	RP/AS	-25
Tiree High School	RP/AS	-15
Campbeltown Grammar	RP/AS	-10
Islay High School	RP/AS	-30
Capital Property Works	RP/AS	-5
Comm Education Office - Rothesay	RP/AS	-10
Glencruitten Hostel Major Refurbishment	RP/AS	-9
Dunoon Hostel Major Refurbishment	RP/AS	-15
Taynuilt PS Addnl Classroom	RP/SD	50
Southend Primary School (Partial re-build)	RP/SD	-6

APPENDIX 2

Project / Description	Category	Revised Budget 2012-13 £000's
Tobermory Early Years - Tobermory High	RP/SD	-30
Campbeltown Nursery - Capital Fund	RP/SD	-15
Primary & Pre 5 Joint Campus in Dunoon	RP/SC	240
Campbeltown Schools Redevelopment	RP/SC	108
Rothesay Library	RP/AS	20
Woodlands/Greenwood	RP/AS	1
Church St Social Work Offices	RP/AS	10
East King St Children's Home	RP/AS	2
Rothesay Library	RP/AS	5
Campbeltown Museum - Burnet Bldg	RP/AS	-10
Park House Women's Refuge	RP/AS	2
Thomson Home Rothesay	RP/AS	2
Ellis Lodge	RP/AS	10
Whitegates	RP/AS	80
Aids & Adaptations	RP/AS	29
Health & Safety	RP/AS	75
Kilmory	RP/AS	-5
Lochgilphead Library	RP/AS	-20
Rothesay Library	RP/AS	-15
Campbeltown Museum Brnet Bldg	RP/AS	5
Gortonvogie - Registration Work	RP/AS	-10
Health & Safety	RP/AS	-5
Shellach View	RP/AS	1
Lomond Street Office	RP/AS	1
Dunoon Family Mediation Centre	RP/SD	2
Ledaig Replace Mobile Home	RP/SD	1
Office Rationalisation	RP/SD	1
Mull & Iona Progressive Care Centre	RP/SD	139
Residential Respite Care Facility	RP/SD	4
Dunoon Childrens Unit	RP/SD	-14
Aqualibrium	RP/SC	10
Argyll House Heating & Lighting Upgrade	RP/AS	4
Campbeltown Registrar's Office	RP/AS	1
Kilmory CWS Tank & Lightning Protection	RP/AS	1
Capital Property Works	RP/AS	70
Hill Street Dunoon Rewire	RP/AS	33
Riverside Swimming Pool	RP/AS	6
Aqualibrium	RP/AS	1
Rothesay Swimming Pool	RP/AS	190
Victoria Hall's Campbeltown	RP/AS	30
Oban Municipal Buildings	RP/AS	18
Oban Office Rat Implementation	RP/AS	67
Dunoon Office rat Implementation	RP/AS	190
Oban High Community Facility	RP/SD	-330

Project / Description	Category	Revised Budget 2012-13 £000's
Dunoon Office Rationalisation	RP/SC	1
Kilmory Biomass Project OBC	RP/SC	455
Islay HS/Bowmore PS	RP/SC	485
Oban HS Biomass Project OBC	RP/SC	457
Dalintober PS	RP/SC	2
Helensburgh Office Project	RP/SC	4,010
New Helensburgh Swimming Pool	RP/SC	-10
Mid Argyll Offices Reorganisation	RP/SC	20
Security of Council Buildings	RP/AS	16
Finance Office Witchburn Rd External Upgrade	NP/AS	74
Finance Office Witchburn Rd External Doors	NP/AS	20
Dalriada House Lochgilphead	NP/AS	14
Castle House Dunoon	NP/AS	23
Front St Inveraray Fire Alarm	NP/AS	2
Union St Rothesay	NP/AS	57
Kilmory Castle	NP/AS	47
Capital Property Works Contingency	NP/AS	95
Carbon Management Works Contingency	NP/AS	48
Renewable Sourcing Strategy	NP/AS	112
Energy Efficiency Projects CEEF Grant	NP/SC	65
Oil to Biomass Heating Fuel Conversion Tarbert Academy	NP/SC	288
Oil to Biomass Heating Fuel Conversion Lochgilphead NPDO	NP/SC	403
Oil to Gas Heating Conversions (Various)	NP/SC	335
Installation of Photovoltaic Panels (Various)	NP/SC	209
200kw Packaged Oil to Biomass BP Design Pilot	NP/SC	255
Wind Turbine Projects	NP/SC	70
Ardrishaig Primary School	NP/AS	175
Arrochar Primary School	NP/AS	20
Ashfield Primary School	NP/AS	60
Bowmore Primary School	NP/AS	36
Cardross Primary School	NP/AS	160
Castlehill Primary School	NP/AS	65
Colgrain Primary School	NP/AS	500
Dalintober Primary School	NP/AS	175
Dalmally Primary School	NP/AS	50
Drumlemble Primary School	NP/AS	14
Dunoon Primary School	NP/AS	25
Furnace Primary School	NP/AS	60
Garelochhead Primary School	NP/AS	75
Hermitage Primary School	NP/AS	80
John Logie Baird Primary School	NP/AS	80
Keills Primary School	NP/AS	70
Kilchattan Primary School	NP/AS	75
Kilmodan Primary School	NP/AS	15
Kirn Primary School	NP/AS	20

Project / Description	Category	Revised Budget 2012-13 £000's
Lochdonhead Primary School	NP/AS	5
Lochgoilhead Primary School	NP/AS	30
Luing Primary School	NP/AS	49
Port Ellen Primary School	NP/AS	150
Rhu Primary School	NP/AS	30
Rosneath Primary School	NP/AS	200
Sandbank Primary School	NP/AS	300
Small Isles Primary School	NP/AS	40
St Andrew's Primary School	NP/AS	125
St Joseph's Primary School	NP/AS	20
St Mun's Primary School	NP/AS	10
Strachur Primary School	NP/AS	50
Strath of Appin Primary School	NP/AS	175
Strone Primary School	NP/AS	150
Tayvallich Primary School	NP/AS	60
Tighnabruaich Primary School	NP/AS	50
Campbeltown Grammar	NP/AS	20
Oban High School	NP/AS	62
Tiree High School	NP/AS	46
Islay High School	NP/AS	575
Parklands School	NP/AS	25
Capital Property Works	NP/AS	250
Park Primary Extension	NP/SD	149
Park Primary Pre Fives Unit	NP/SD	175
Hermitage Primary Annexe Replacement	NP/SD	35
Video Conferencing Upgrade	NP/SD	60
Parenting Facilities - Pre 5 Facilities St Joseph's PS	NP/SD	70
Health & Safety	NP/AS	50
Cardross Library Refurbishment	NP/AS	40
Tarbert Library Options Appraisal	NP/AS	5
Rothesay Library Car Park Upgrade	NP/AS	20
Riverside Leisure Facility Refurbishment Options Appraisal	NP/AS	15
Riverside Leisure Facility External Door Renewal	NP/AS	10
Campbeltown Town Hall Health & Safety Works	NP/AS	10
Rothesay Pavilion Health & Safety Works	NP/AS	10
Queen's Hall Health & Safety Works	NP/AS	10
Ramsay Memorial Hall Health & Safety /DDA Works	NP/AS	50
Rothesay Leisure Pool 2nd Phase Refurbishment	NP/SD	125
Woodlands Roof Overhaul	NP/AS	25
Social Work Offices Rothesay Upgrading Car Park	NP/AS	25
Relocation of Staff to Sinclair St Helensburgh	NP/AS	20
Dunclutha Children's Home Health & Safety Works	NP/AS	20
Dunclutha Children's Home Options Appraisal	NP/AS	10
Total Customer Services		**17,321**

REVISED CAPITAL PLAN 2012/13: YEAREND ADJUSTMENTS TO BUDGETS APPROVED FOR 2012/13		
Development & Infrastructure Services		
Project / Description	**Category**	**Revised Budget 2012-13 £000's**
Flood Prevention	RP/AS	308
Bridge Strengthening	RP/AS	557
Roads Reconstruction	RP/AS	6,357
Lighting	RP/AS	385
Environmental	RP/AS	72
Helensburgh Cemetery Driveway	RP/AS	12
Rhu Play Park	RP/AS	13
Rothesay Meadows Play Equipment	RP/AS	7
Fionnphort PC	RP/AS	7
HITRANS	RP/AS	251
Traffic Management	RP/AS	207
Zero Waste Fund	RP/AS	8
Kidston Park PC	RP/AS	92
Fleet Management	RP/AS	-480
Pennyfuir Cemetery New Access	RP/AS	-1
Kilvaree Cemetery Extension	RP/AS	41
Major Prop Imp - Tarbert PC	RP/AS	-6
B842 Conieglen near Southend	RP/AS	10
A83 South of Muasdale	RP/SD	522
Tayinloan Slip	RP/SD	1,095
Preliminary Design for Regional Transport Projects	RP/SD	29
Milton Burn	RP/SD	695
Campbeltown Old Quay	RP/SD	109
Kintyre Renewables Hub	RP/SC	5,188
Bruichladdich Pier	RP/SC	5
Rothesay Harbour Ferry Berth Improvements	RP/SC	3
Dunoon Pier Phase 1 (C. Fund)	RP/SC	-32
Port Askaig Pier	RP/SC	30
Cemetery Houses	NP/AS	50
Kilchoman Cemetery Wall	NP/AS	10
Rothesay Cemetery Roadways	NP/AS	45
Bute Local Capital Priorities		100
OBC for Dunoon Pier	NP/SC	2,023
Argyll Mausoleum		100
Total Development & Infrastructure Services		17,812

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Agenda Item 4e

ARGYLL AND BUTE COUNCIL | **COUNCIL**
STRATEGIC FINANCE | **28 JUNE 2012**

TREASURY MANAGEMENT ANNUAL REPORT 2011-2012

1. INTRODUCTION

1.1 This report summarises the key points from the treasury management annual report. Preparation of an annual report is a requirement of the Chartered Institute of Public Finance and Accountancy Code of Practice on Treasury Management in Local Authorities.

2. RECOMMENDATIONS

2.1 Members note the annual report on treasury management.

3. DETAILS

3.1 The following highlights key details from the annual report.

3.1.1 Total external debt of £160.408 as at 31 March 2012 with an average rate of interest of 6.139%. This compares to debt of £160.341m with an average rate of 6.139% at March 2011.

3.1.2 No new long term borrowing was taken during the year.

3.1.3 An average return of 0.8% was achieved for cash invested in the various instruments available to the Council during 2011-2012. This compares favourably with a London Interbank Bid rate of 0.480%.

3.1.4 No long term borrowing was repaid during the year.

3.1.5 During the financial year the Council operated within the treasury limits set out in the Council's Treasury Policy Statement and Treasury Strategy Statement.

Bruce West
Head of Strategic Finance
20 June 2012

ANNUAL TREASURY REPORT

2011-2012

Annual Treasury Management Review 2011/12

Purpose

This Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2011/12. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2011/12 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 13/03/2011)
- a mid year (minimum) treasury update report (Executive 15/12/2011)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, this Council has received quarterly treasury management update reports on 11/08/2011 and 8/03/2012 which were received by the Executive.

Recent changes in the regulatory environment place a much greater onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Spokesperson for Resources before they were reported to the full Council.

Executive summary

During 2011/12, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	**2010/11 Actual £000**	**2011/12 Original £000**	**2011/12 Actual £000**
Actual Capital Expenditure	21,201	38,094	25,575
Total Capital Financing Requirement	264,977	282,122	256,617
Net Borrowing	125,505	140,000	122,446
External Debt	160,341	150,000	160,408
Investments (Under 1 year)	34,836	10,000	37,962

Other prudential and treasury indicators are to be found in the main body of this report. The Head of Strategic Finance also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit), was not breached.

The financial year 2011/12 continued the challenging environment of previous years; low investment returns and continuing counterparty risk continued.

Recommendations

The Council is recommended to:

1. Approve the actual 2011/12 prudential and treasury indicators in this report
2. Note the annual treasury management report for 2011/12

1. Introduction and background

This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

2. The Council's Capital Expenditure and Financing 2011/12

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2010/11 Actual £000	2011/12 Original £000	2011/12 Actual £000
Capital Expenditure	**21,201**	**38,094**	**25,575**
Total Capital Financing Requirement			
Resourced by:			
Capital Receipts	0	0	0
Capital Grants	7,095	12,651	11,479
Revenue	915	0	124
Unfinanced Capital Expenditure	**13,191**	**25,443**	**13,972**

3. The Council's overall borrowing need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2011/12 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Scheduled Debt Amortisation or loans repayments, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the revenue charge each year.

The Council's CFR for the year is shown below, and represents a key prudential indicator. This includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need, the CFR. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

CFR	31 March 2011 Actual £000	31 March 2012 Original £000	31 March 2012 Actual £000
Opening Balance	**274,020**	**279,431**	**264,977**
Add Unfinanced capital	13,191	25,443	13,972
Less Debt Repayments	20,416	21,183	20,584
Less Finance Lease Repayments	1,806	1,569	1,569
Less Other	12	0	179
Closing Balance	**264,977**	**282,122**	**256,617**

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Net borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2011/12 plus the expected changes to the CFR over 2012/13 and 2013/14. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2011/12. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

CFR	31 March 2011 Actual £000	31 March 2012 Original £000	31 March 2012 Actual £000
Net Borrowing Position	125,505	140,000	122,446
CFR	264,977	282,122	256,617

The authorised limit - the authorised limit is the maximum borrowing limit and the Council does not have the power to borrow above this level. The table below demonstrates that during 2010/11 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2011/12 £000
Authorised Limit	**330,500**
Maximum Gross Borrowing Position	244,396
Operational Boundary	322,500
Average Gross Borrowing Position	243,690
Financing Costs as a proportion of net revenue stream	11.00%

4. Treasury Position as at 31 March 2012

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2011/12 the Council's treasury position was as follows:

	Principal 31 March 2012 £m	£m	Rate/ Return %	Average Life years	Principal 31 March 2011 £m	£m	Rate/ Return %	Average Life years
Fixed Rate Funding:								
- PWLB	108.066				108.066			
- Market	12.554				12.554			
		120.620	**6.718%**	**24.24**		**120.620**	**6.718%**	**25.24**
Variable Rate Funding:								
- PWLB								
- Market	39.255				39.255			
		39.255	**4.430%**	**56.58**		**39.255**	**4.430%**	**57.58**
Temporary Loans		**0.533**	**0.187%**			**0.466**	**0.142%**	
Total Debt		**160.408**	**6.139%**	**32.18**		**160.341**	**6.139%**	**33.18**
Investments		**37.962**	**1.668%**			**34.835**	**0.750%**	

PWLB - Public Works Loan Board

The Council's investments were all for under one year at a variable rate of interest.

The maturity structure of the debt portfolio was as follows:

	2010/11 Actual £000	**2011/12 Actual £000**
Under 12 months	496	554
12 months and within 24 months	1	1
24 months and within 5 years	18,930	36,786
5 years and within 10 years	34,304	22,911
10 years and above	106,610	100,156

5. The Strategy for 2011/12

The expectation for interest rates within the strategy for 2011/12 anticipated low but rising Bank Rate (starting in quarter 4 of 2011) with similar gradual rises in medium and longer term fixed borrowing rates over 2011/12. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and reduce counterparty risk.

The actual movement in gilt yields meant that PWLB rates fell sharply during the year and to historically very low levels. This was caused by a flight to quality into UK gilts from EU sovereign debt and from shares as investors became concerned about the potential for a Lehmans type crisis in financial markets if the Greek debt crisis were to develop into a precipitous default and exit from the Euro.

6. The Economy and Interest Rates

Sovereign debt crisis. 2011/12 was the year when financial markets were apprehensive, fearful of the potential of another Lehman's type financial crisis, prompted by a precipitous Greek Government debt default. At almost the last hour, the European Central Bank (ECB) calmed market concerns of a liquidity crisis among European Union (EU) banks by making available two huge three year credit lines, totalling close to €1 trillion, at 1%. This also provided a major incentive for those same banks to then use this new liquidity to buy EU sovereign debt yielding considerably more than 1%.

A secondary benefit of this initiative was the bringing down of sovereign debt yields, for the likes of Italy and Spain, below unsustainable levels. The final aspects in the calming of the EU sovereign debt crisis were two eleventh hour agreements: one by the Greek Government of another major austerity package and the second, by private creditors, of a "haircut" (discount) on the value of Greek debt that they held, resulting in a major reduction in the total outstanding level of Greek debt. These agreements were a prerequisite for a second EU / IMF bailout package for Greece which was signed off in March.

Despite this second bailout, major concerns remain that these measures were merely a postponement of the debt crisis, rather than a solution, as they did not address the problem of low growth and loss of competitiveness in not only Greece, but also in other EU countries with major debt imbalances. These problems will, in turn, also affect the financial strength of many already weakened EU banks during the expected economic downturn in the EU. There are also major questions as to whether the Greek Government will be able to deliver on its promises of cuts in expenditure and increasing tax collection rates, given the hostility of much of the population. In addition, an impending general election in May 2012 will deliver a democratic verdict on the way that Greece is being governed under intense austerity pressure from the northern EU states.

The UK coalition Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity plan timeframe. The USA and France lost their AAA credit ratings from one rating agency during the year.

UK growth proved mixed over the year. In quarter 2, GDP growth was zero, but then quarter 3 surprised with a return to robust growth of 0.6% q/q before moving back into negative territory (-0.3%) in quarter 4. The year finished with prospects for the UK economy being decidedly downbeat due to a return to negative growth in the EU in quarter 4, our largest trading partner, and a sharp increase in world oil prices caused by Middle East concerns. However, there was also a return of some economic optimism for growth outside the EU and dovish comments from the major western central banks: the Fed in America may even be considering a third dose of quantitative easing to boost growth.

UK CPI inflation started the year at 4.5% and peaked at 5.2% in September. The fall out of the January 2011 VAT increase from the annual CPI figure in January 2012 helped to bring inflation down to 3.6%, finishing at 3.5% in March. Inflation is forecast to be on a downward trend to below 2% over the next year.

The Monetary Policy Committee agreed an increase in quantitative easing (QE) of £75bn in October on concerns of a downturn in growth and a forecast for inflation to fall below the 2% target. QE was targeted at further gilt purchases. The MPC then agreed another round of £50bn of QE in February 2012 to counter the negative impact of the EU debt and growth crisis on the UK.

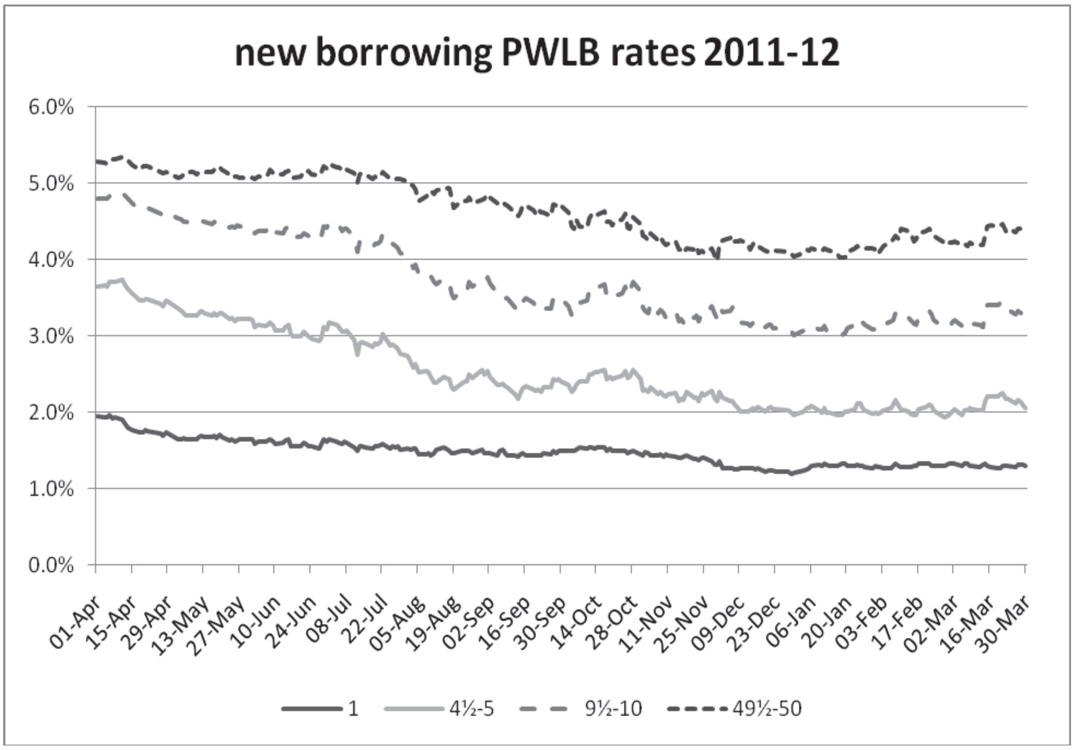
Gilt yields fell for much of the year, until February, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of QE during the year, combined to depress PWLB rates to historically low levels.

Bank Rate was unchanged at 0.5% throughout the year while expectations of when the first increase would occur were steadily pushed back until the second half of 2013 at the earliest. Deposit rates picked up in the second half of the year as competition for cash increased among banks.

Risk premiums were also a constant factor in raising money market deposit rates for periods longer than 1 month. Widespread and multiple downgrades of the credit ratings of many banks and sovereigns, continued Euro zone concerns, and the significant funding issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment.

7. Borrowing Rates in 2011/12

PWLB borrowing rates - the graphs and table for PWLB maturity rates below show, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.



8. Borrowing Outturn for 2011/12

Treasury Borrowing

There was £203k of new temporary borrowing in 2011/12 at an average rate of 0.292%.

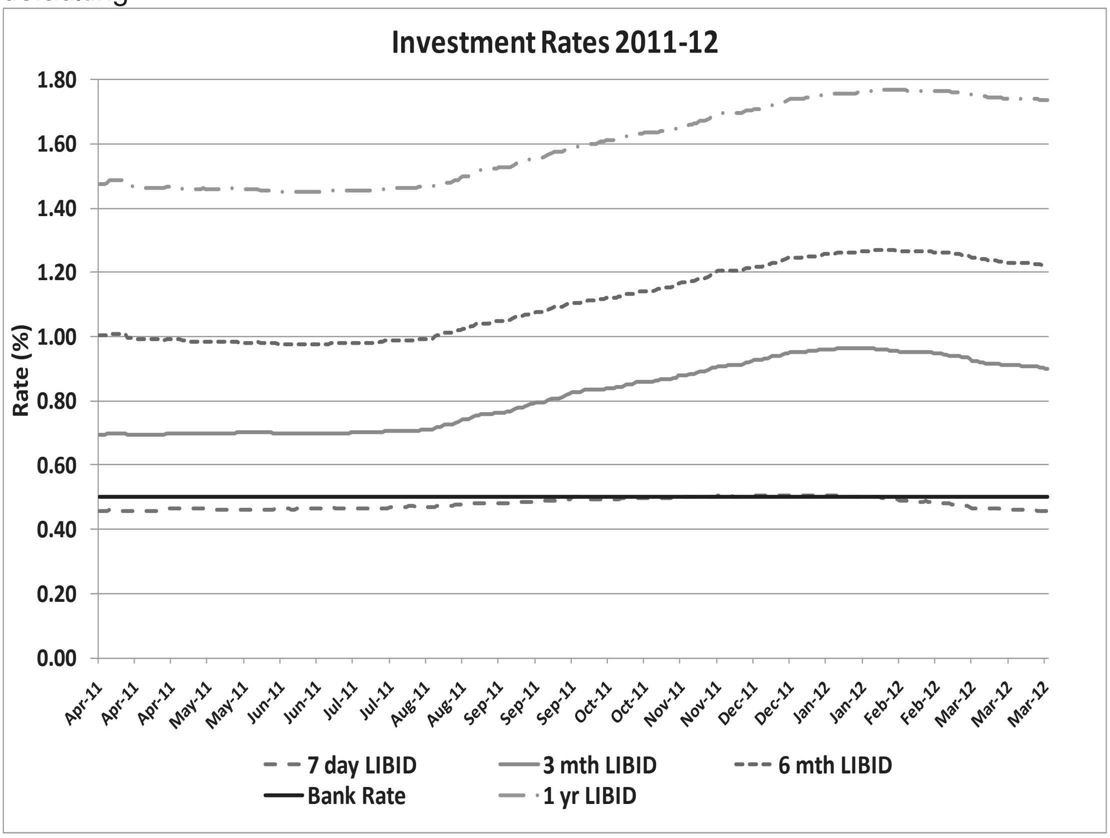
Repayment

There was £162k of temporary borrowing repaid in 2011/12.

9. Investment Rates in 2011/12

The tight monetary conditions following the 2008 financial crisis continued through 2011/12 with little material movement in the shorter term deposit rates. However, one month and longer rates rose significantly in the second half of the year as the Eurozone crisis grew. The ECB's actions to provide nearly €1 trn of 1% 3 year finance to EU banks eased liquidity pressures in the EU and investment rates eased back somewhat in the quarter 1 of 2012. This action has also given EU banks time to strengthen their balance sheets and liquidity positions on a more permanent basis. Bank Rate remained at its historic low of 0.5% throughout the year while market expectations of the imminence of the start of monetary tightening was gradually pushed further and further back during the year to the second half of 2013 at the earliest..

Overlaying the relatively poor investment returns were the continued counterparty concerns, most evident in the Euro zone sovereign debt crisis which resulted in a second rescue package for Greece in quarter 1 2012. Concerns extended to the potential fallout on the European banking industry if the crisis could have ended with Greece leaving the Euro and defaulting.



10. Investment Outturn for 2011/12

Investment Policy – the Council's investment policy is governed by Scottish Government Investment Regulations, which was been implemented in the annual investment strategy approved by the Council on 26/6/2010. This policy sets out the approach for choosing investment categories and counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
Resources – the Council's longer term cash balances comprise, primarily, revenue and capital resources, although these will be influenced by cash flow considerations. The Council's core cash resources comprised as follows, and met the expectations of the budget:

Balance Sheet Resources	**31 March 2011 £m**	**31 March 2012 £m**
General Fund Balance	33,907	34,572
Repairs and Renewals Fund	497	532
Provisions	235	419
Total	**34,639**	**35,523**

Investments held by the Council - the Council maintained an average balance of £47.4m of internally managed funds. The internally managed funds earned an average rate of return of 0.800%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.480%.

Appendix 1

1. PRUDENTIAL INDICATORS	2010/11	2011/12	2011/12
	£ p	£ p	£ p
	estimate	estimate	actual
Capital Expenditure	£'000	£'000	£'000
Non - HRA	21,201	23,264	25,575
TOTAL	21,201	23,264	25,575
Ratio of financing costs to net revenue stream			
Non - HRA	13.09%	11.68%	11.00%
Net borrowing requirment			
brought forward 1 April *	274,020	279,431	264,977
carried forward 31 March *	264,977	282,122	256,617
in year borrowing requirement	(9,043)	2,691	(8,360)
In year Capital Financing Requirement			
Non - HRA	(9,043)	2,691	(8,360)
TOTAL	(9,043)	2,691	(8,360)
Capital Financing Requirement as at 31 March			
Non - HRA	264,977	282,122	256,617
TOTAL	264,977	282,122	256,617
Incremental impact of capital investment decisions	£ p	£ p	£ p
Increase in Council Tax (band D) per annum	38.97	32.40	39.61

2. TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2010/11	2011/12	2011/12
	actual	original	actual
	£'000	£'000	£'000
Authorised limit for external debt -			
borrowing	240,000	239,000	239,000
other long term liabilities	91,500	91,500	91,500
TOTAL	331,500	330,500	330,500
Operational boundary for external debt -			
borrowing	235,000	234,000	234,000
other long term liabilities	88,500	88,500	88,500
TOTAL	323,500	322,500	322,500
Actual external debt	160,341	160,400	160,408
Upper limit for fixed interest rate exposure			
Principal re fixed rate borrowing	100%	100%	100%
Upper limit for variable rate exposure			
Principal re variable rate borrowing	30%	30%	30%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£0.00	£10m	£10m

Maturity structure of new fixed rate borrowing during 2011/12	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

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 Agenda Item 4f

ARGYLL AND BUTE COUNCIL **COUNCIL**

STRATEGIC FINANCE **28 JUNE 1012**

ANNUAL EFFICIENCY STATEMENT 2011-12

1. INTRODUCTION

1.1 The Council's Annual Efficiency Statement 2011-12 is attached as an appendix to this report.

2. RECOMMENDATIONS

2.1 Members to note the contents of the Annual Efficiency Statement for 2011-12.

3. DETAIL

3.1 For 2011-12, the Scottish Government expects every public body to deliver efficiency savings of at least 3% and to report publicly on the actions undertaken and the results achieved. Council's must publish and Annual Efficiency Statement each year. The draft Annual Efficiency Statement is attached as an appendix to this report and has been prepared in accordance with the guidance issued by COSLA.

3.2 Scottish Councils have a strong track record of achieving and reporting on efficiencies and have exceeded previous national targets, though it is recognised that efficiencies will be increasingly hard to come by without fundamental reform to the way Council's deliver services. The Government has simplified its definition of efficiency which now states: "Where a body manages to deliver services or functions that can be shown to result in a broadly similar (or improved) level of outcome or output for a lower unit input than previously, an efficiency saving has been made".

3.3 The 3% efficiency savings are calculated based on departmental expenditure limit (DEL). Income from Non-Domestic Rates (NDR) is annually managed expenditure so falls outwith DEL. The Scottish Government funding for the Council for 2011-12 was £211.975m. The NDR element of the funding amounted to £25.582m giving funding excluding NDR of £186.393m. This gives rise to a 3% efficiency savings target of £5.592m. The total efficiency saving achieved for 2011-12 was £8.472m as outlined in the attached statement.

3.4 Arrangements continue to be in place to monitor and report on progress with efficiency savings through the Planning and Performance Management Framework and Performance Scorecards.

3.5 The Council have exceeded the 3% efficiency savings that are expected by the Scottish Government for 2011-12. The budget proposals agreed in February for 2012-13 should deliver the efficiency savings required for 2012-13 and these will continue to be monitored throughout the financial year.

Bruce West
Head of Strategic Finance
15 June 2012

APPENDIX

CONFIRMATION OF EFFICIENCIES DELIVERED IN 2011-12

1	**Local Authority Name**	Argyll and Bute Council
2	**Total cash efficiency achieved for 2011-12 £'000**	£8,472,000
3	**Summary of efficiency activity** e.g. The main initiatives the local authority has taken over the year to ensure a strategic approach to increased efficiency and productivity and the improvements achieved in these areas. The main information that the local authority uses to assess productivity, service quality and performance and how the scope, usefulness or reliability has been improved during the year. Specific steps the local authority has taken during the year to improve collaboration and joint working to deliver efficient and user-focussed services and the improvements achieved.	During 2009-10 the Council commenced a programme of service reviews designed to look radically at each service of the Council over a three year period with a target for services to identify options to reduce costs by 15-20%. The reviews have looked at performance and the cost base of the service area and have also looked at benchmarks to identify opportunities to reduce cost (and improve performance). The services included within Phase 2 of the programme, giving rise to savings within 2011-12 were Children and Families, Leisure, School and Public Transport, Catering Cleaning and Janitorial, Economic Development, Roads, Waste, Education and Governance and Law. Efficiency savings have been achieved from the Council's customer management project in respect of channel shift - customers using our online services more instead of telephone or face to face contact. Savings have been calculated based on a number of web self service transactions that would have prevented a face to face or telephone contact or a back office administration resource. A number of procurement activities have given rise to efficiency savings during 2011-12, for example, water utility, stationery and postage, protective clothing, advertising, insurance and others. Preliminary work has been undertaken on reviewing the offices and depots with a view to rationalising the number of Council assets to better align with its business needs and also to consider sharing services with other Community Planning partners. The preliminary work has been concluded and it is anticipated that savings will be available from 2012-13 onwards. The Council have a Planning and Performance Management Framework which is outcome based. Each Council service has their own

		performance scorecard measuring their service outcomes, which link to the Council's corporate outcomes. Each service performance scorecard is monitored a monthly basis at service team meetings and over 2011-12 the departmental scorecards have been subject to Member scrutiny at quarterly Executive meetings.
4	**Breakdown of efficiency saving by Procurement, Shared Services or Asset Management £'000** (only where relevant – not all efficiencies will fall into these categories, so the figures here do not have to match the overall total.	Procurement = £874,000 In addition to the procurement savings of £874,000 the Council is continuing to develop its procurement and commissioning function increasing its score for the Procurement Capability Assessment.
		Shared Services = Shared Services and joint working continue to be considered with other Councils and across Community Planning Partners.
		Asset Management = The Council continues to explore opportunities to rationalise its asset based on its own and with Community Planning Partners. This is supported by the Process for Change Workforce Deployment Project and includes projects such as Helensburgh Office Rationalisation.
5	**Evidence**: What performance measures and/or quality indicators are used to ensure that efficiencies were achieved without any detriment to services?	A high level approach to verifying performance has been taken using the service outcomes on the service performance scorecards. A snapshot of the service outcomes has been taken at March 2012. The service outcomes are measured using the key success measures for ongoing service delivery in important areas of the Councils business. On this basis they can be assumed to represent quality and delivery in key service areas. The service outcomes are classified as red or green where green represents on target and red is off target. If the service outcomes are predominately classed as green then this indicates the standards for service quality and delivery are being achieved. As at March 2012, out of 95 service outcomes, 59 were green and 10 were red. This indicates that service quality is at the standards specified in the service plan and on this basis the efficiency savings have not had a negative impact on service delivery.

		Within the annual Assurance and Improvement Update 2012-15, there are a total of 40 risks areas, both national and local. For Argyll and Bute Council, 34 of these are no significant risk with 5 areas of uncertainty and 1 significant risk. In looking specifically at local risks, there is a reduction in the level of risk between 2010 and 2012. In 2010 there were 12 areas of uncertainty, in 2011 there were 7 areas of uncertainty and in 2012 there are only 3 areas of uncertainty.

Signed ……………………………………………………………….................. (Chief Executive or equivalent)

Signed (if applicable)……………………………………………………………......... (Council Leader or equivalent)

Date ……………………………………

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 Agenda Item 5a

ARGYLL AND BUTE COUNCIL	COUNCIL
CUSTOMER SERVICES	Thursday 26th April 2012

REPORT BY THE SHORT LIFE WORKING GROUP ON POLITICAL MANAGEMENT ARRANGEMENTS

1. SUMMARY

1.1 At the Executive meeting on 21 April 2011 it was agreed to set up a short life working group to progress the development of revised Political Management Arrangements. This report highlights the recommendations made by the Short Life Working Group following their consideration of these arrangements.

2. RECOMMENDATIONS

2.1 To note the contents of the report.

2.2 To agree to recommend the findings of the Short Life Working Group to the first meeting of the new Council for implementation.

3. DETAIL

3.1 The Short Life Working Group on Political Management Arrangements met on 12 August 2011, 12 October 2011, 2 December 2011 and 4 April 2012.

3.2 At these meetings the Short Life Working Group considered reports by the Executive Director - Customer Services which set out a series of options for consideration in the review of political management arrangements for Argyll and Bute Council.

3.3 The following is a summary of the decisions that were made at the meetings of the Group :-

3.3.1 Agreed that the Executive is fit for purpose and should continue in its current format, but noted the minority view that the Executive was not fit for purpose and that alternative models should be investigated.

3.3.2 Agreed that, in terms of structure, the Planning Protective Services and Licensing Committee is fit for purpose.

3.3.3 Agreed that the Audit Committee is fit for purpose and that no changes to its remit, composition or membership should be made.

3.3.4 Agreed therefore that there be no change to the remit, composition or membership of the Executive, PPSL or Audit Committee.

3.3.5 Agreed, in principle, to the establishment of a Performance Review and Scrutiny Committee on the basis set out in the Appendix to this report, and that there be 10 Members appointed to this Committee consisting 4 from the Opposition Groups, 3 non-Executive Members of the Administration and 3 CPP Partner nominees plus 1 independent Chair.

3.3.6 Agreed, in principle, to the creation of short life Policy Development Groups.

3.3.7 Agreed to adjust the Constitution to provide for the creation of Policy Development Groups by either the Council or the Executive; agreed in principle to operate them as had been done in the past and to remit the Executive Director of Customer Services to modify the Constitution to regulate the procedures of such groups.

3.3.8 Agreed that Area Committees, Local Area Community Planning Groups and Area Business Days continue to be held, but that scheduling and frequency of these meetings be altered.

3.3.9 Noted the Council would still be on target for reducing the number of meetings held after the proposed changes had taken place.

4. AREA MEETINGS

4.1 It is proposed that Area Committees and Local Area Community Planning Groups should meet on a quarterly basis, on the same day, with the Area Committee being held in the morning and the Local Area Community Planning Group being held in the afternoon. These meetings should be held in March, June, September and December each year, and to ensure that agenda items which are common to all four Areas are considered within the space of seven working days thereby ensuring efficient progression of matters which are corporate or common to either the Council or any Core Partners, it is proposed that Bute and Cowal would meet on the first Tuesday of the relevant month, MAKI on the first Wednesday, Helensburgh Lomond on the second Tuesday and OLI on the second Wednesday. This proposal to have these meetings on these dates, if agreed, will, of course, require to be made to the Community Planning Partnership for their approval prior to implementation. Meeting agendas will be structured to allow participation on all matters by all parties, but decisions on matters within the Terms of Reference of Area Committees shall be made only by Councillors. Remaining items will be dealt with by all parties, with each partner having the right to have their views recorded in the event that consensus cannot be reached.

4.2 Currently, Area Committees have a series of Area Business Days which provide a less formal discussion forum than Committee meetings for elected Members and officers to work on service issues which are of significance to the Area. It is anticipated that there will be a strong appetite amongst Members for these business meetings to continue. It is proposed that Area Business Days be half day meetings held 4 times per year in months when the Area Committee/Local Area Community Planning Group is NOT taking place, ie business meetings be held in January, April, August, and October. Scheduling business meetings in this way would enable any items discussed at these meetings to be effectively progressed by officers and partners and then included, as appropriate, at the next Scheduled Area Committee. This scheduling would also leave July meeting free in accordance with the Council's current recognition of July as recess month. It is suggested that business meetings take place in the morning on the same day as scheduled Area Committee etc meetings, ie Bute and Cowal meeting on the first Tuesday, MAKI on the first Wednesday, Helensburgh Lomond on the second Tuesday and OLI on the second Wednesday of the relevant month.

4.3 In terms of Member's time commitment to their Area work the proposals outlined above would give effect to a reduction in days spent on Area Committee business from the current 11 days (6 Area Committees plus 5 LACPG's) to 4 full days for these, plus 4 half day business meetings per year. Area Committees would, of course, be able to have less frequent business days if they were so minded, as is currently the case. In addition, it is proposed that Members would be involved in one Area Forum, similar to the previously held Forward Together Events meeting of the Local Area Community Planning Partnership per year, which it is suggested would take place in November. As noted at 4.1 above, the proposal to hold the Area Forum in November, if agreed, will also require to be presented as a recommendation from the Council to the Community Planning Partnership for their approval prior to implementation. In addition resources would have to be identified from partners as appropriate to facilitate this type of event.

5. POLICY DEVELOPMENT GROUPS

5.1 Policy Development Groups will be appointed in terms of the Scheme of Administration and Delegations which is referred to in Standing Order 26.

5.2 Standing Orders 2.1, 2.3, 2.4, 3.1 – 3.5, 7.1 – 7.4 and 17.1 will apply to meetings of any Policy Development Group.

5.3 MEETINGS OF POLICY DEVELOPMENT GROUPS

5.3.1 Without prejudice to the general right of the Council, or the Executive (referred to in this Standing Order as an appointing body) to appoint a Policy Development Group at any time, a minimum of any six Members may propose that a Policy Development Group should be established; the following procedure will apply to the establishment of a Group on the proposal of two or more Members.

5.3.1.1 The Members concerned will set out in a notice to be given to the Executive Director of Customer Services the matters on which it is proposed the Group should be asked to provide advice, together with such other relevant material as the members concerned consider the appointing body might usefully require in order to reach a decision whether or not to establish such a Group;

5.3.1.2 The Executive Director of Customer Services will include the proposal, together with the written material provided by the Members, on the agenda for the next following ordinary meeting of the Executive.

5.3.1.3 In the circumstances that a proposal to establish a Group is to be considered by the Executive then the first two Members signing the proposal will be entitled to speak, but not vote, at the meeting of the Executive at which the proposal is considered even if these two Members are not members of the Committee;

5.3.1.4 In considering a proposal (whether or not submitted in terms of sub-paragraph (1) above) to establish a Policy Development Group, an appointing body may (a) determine that, instead of appointing a Group, the matter contained in the proposal may be added to the Terms of Reference of an existing Group or (b) in the circumstances where (a) does not apply the committee shall resolve either to require a report from the appropriate officer on the implications of establishing such a group in respect of the resources required to take forward the work of the group, the current status (if any) of Council policy on the matter and any other matters relevant to their deliberations to a future meeting of the appointing body or (c) decline to establish such a group without further deliberation

5.3.1.5 When a Policy Development Group is established, the appointing body will appoint the Members of the Group, appoint two of those Members who are Councillors to be the Chair and Vice-Chair of the Group respectively, specify the matters on which the Group is to provide advice, specify the timescale within which the Group is to submit its report or recommendations and any other ancillary matters regarding the operation of the Group as may be desirable.

5.3.1.6 While, normally, a Policy Development Group will report and provide advice to the Executive, the Council or the Executive when establishing a Group may direct that the Policy Development Group reports, instead or in addition, to another constituent part of the Council.

5.3.1.7 At the end of the period mentioned in sub-paragraph (5) of this Standing Order the Group will cease to exist unless before the end of that period the appointing body has substituted a revised period.

5.3.1.8 It will be open to the Executive at any time in the event that the Committee considers the resources available to support the work of Policy Development Groups is insufficient, to recommend to the Council that no further Groups should be established or that the number in total should be limited. If such a recommendation is made no proposal to establish a Policy Development Group which would be contrary to the Council resolution shall be considered unless and until the Council has altered or rescinded that resolution.

5.3.2 The arrangements for meetings of a Policy Development Group will be a matter for the Group concerned, but the chair of a Group may for good cause cancel or alter the place, date or time for a meeting of a Group and may call a meeting of a Group on dates in addition to those already decided by the Group, but not after the summons for the meeting has been issued.

5.3.3 In addition to any report or paper submitted by an Officer of the Council, any Member of a Policy Development Group may, in relation to any research which she/he may have undertaken, submit a report or paper for consideration by the Group, provided that report or paper is made available in time for inclusion with the agenda of business for the meeting, and any other Member of the Council may similarly submit such report or paper and may speak to the Policy Development Group in relation to that report or paper.

5.3.4 In addition to the consideration of any report or paper submitted by a Member or Officer, a Policy Development Group may seek and/or consider a report, paper or presentation from other persons, whether inside or outside the Council, but such persons shall not participate as Members of the Group.

5.3.5 While the minimum quorum for an effective meeting of a Policy Development Group to take place will be three Members of the Group, the report or reports of the Group which contain the advice and recommendations of the Group will require to be considered at a meeting of the Group at which at least half of the Members of the Group are present.

5.3.6 The content of the advice or recommendations which any Group provides will be reached if possible by consensus amongst the Members of the Group, and in the event of any difference of view which will be determined in accordance with these Standing Orders as they would apply to a meeting of a Committee of the Council, the report or reports of the Group will in addition to the advice and recommendations of the Group include a note setting out the views of those Members who may not concur with that advice or those recommendations. Other decisions by the Group relating to their procedure and operation will be reached in accordance with these Standing Orders as they would apply to a meeting of a Committee of the Council.

6. CONCLUSIONS.

6.1 The Short Life Working Group has considered existing Political Management Arrangements and taken cognisance of views expressed to it and the need to ensure that these arrangements remain fit for purpose as the Council moves forward. Specifically, concerns about Performance Review and Scrutiny and corporate Policy Development have been addressed in the recommendations being made in this report. Additionally, changes being recommended in regard to frequency and scheduling of Area Committee and Local Area Community Planning meetings should enable more efficient decision making and service overview at local level across the Council.

7. IMPLICATIONS

Policy:

Financial:

Personnel:

Equal Opportunities:

For further information contact: Douglas Hendry Executive Director, Customer Services

Date: 12th April 2012

Appendix 1, Performance Review and Scrutiny Committee.

The Performance Review and Scrutiny Committee will be responsible for the following:

Performance Review

(1) Reviewing performance when viewed against policy objectives arising from:

a) The Planning and Performance Management Framework and the quarterly performance reports to committee.
b) External inspection reports e.g. School Inspections.
c) The Community Planning Partnership and other major partnership projects.
d) Specific performance reports requested by the committee.
e) Ad hoc performance reports presented to the Committee by Chief Officials.
f) Any other reports of a performance-related nature.

(2) Making recommendation to the Executive on performance matters in relation to (1) above.

Scrutiny

(1) Monitoring the delivery of corporate improvement programmes and ensuring that they are progressing in line with corporate aims and objectives. Reporting findings and recommendations to the Executive.

(2) Commenting on decisions and policies agreed by the Executive and other committees and the impact they have on Argyll and Bute as an area, and making recommendations as appropriate to the Executive.

(3) Inviting Executive members to attend and elaborate on Executive decisions or proposals.

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ARGYLL & BUTE COUNCIL **COUNCIL**

CUSTOMER SERVICES **22 MAY 2012**

APPOINT THE MEMBERS AND CHAIRS AND VICE CHAIRS OF THE VARIOUS COMMITTEES

1. SUMMARY

1.1 In terms of the Council's Scheme of Administration and Delegations and Standing Order 1.1.4. the Council is required to appoint the Members of the Committees of the Council.

Details of the current Committee Structure are detailed in this report and the Council is requested to appoint the Members and Chairs and Vice Chairs of the various Committees.

Details are also provided of the new Committees proposed as detailed in the report on Political Management Arrangements.

2. RECOMMENDATIONS

The Council is invited to consider the:-

2.1 Appointment of Members, including Chairs and Vice Chairs, to the Committees as set out in 3.2 of this report.

(a) Executive
(b) Regulatory Cohort
(c) Audit Committee
(d) Policy and Performance Groups

2.2 Appoint the Members, including Chairs and Vice Chairs, of the four Area Committees as the Members representing the Electoral Wards in those areas.

(a) Mid Argyll, Kintyre and the Islands
(b) Oban, Lorn and the Isles
(c) Bute and Cowal
(d) Helensburgh and Lomond

2.3 Appointment of Members, including Chairs, to the following other Committees/Groups as set out in 3.5 of this report.

(a) Special Committee for Older Peoples Services and Learning Disability Services
(b) CHORD Programme Management Board

(c) Roads and Transportation Working Group

2.3 If so resolved, following consideration of the Political Management Arrangements report Appointment of Members to Performance Review and Scrutiny Committee

3. DETAIL

3.1 The previous Council comprised an Executive which was augmented by three persons interested in the promotion of religious education and two non voting representatives of teaching staff for the purposes of discharging the Council's education functions, four Area Committees, a Regulatory Cohort (from which membership of the Planning, Protective Services and Licensing Committee, Appeals Committees, Licensing Board and Local Review Bodies were drawn from), an Audit Committee and four Policy and Performance Groups

3.2 The Scheme of Administration and Delegation currently provides for Members on each of the Committees as follows:-

Executive

Sixteen Members, being fourteen Members from the Partnership Groups, including the Leader as Chair and the Depute Leader as Vice Chair, and two other Members (not being Members of a Partnership Group) in the composition of which regard will be had to the four decentralised areas of Argyll and Bute Council.

Regulatory Cohort

Fifteen Members for the purposes of providing a pool from which Members will be drawn for certain current regulatory functions and which cohort will undertake the development and training required in relation to the development of the Council's regulatory functions, with particular reference to planning/development control and liquor licensing.

That all those Cohort Members serve as a **Planning, Protective Services and Licensing Committee**.

That Local Review Bodies will continue as constituted and that the three Members to be appointed on any occasion will be so appointed by the Executive Director – Customer Services from the Planning, Protective Services and Licensing Committee here established and in so appointing those Members the Executive Director will select them by lot. Local Review Bodies will be Chaired by either the Chair or Vice Chair of the Planning, Protective Services and Licensing Committee and will not comprise the Local Member.

That the following **Appeals Committees** continue as hitherto constituted –

Staffing Appeals – five Members
Placing Appeals – Special Education Needs – two Members plus one person from a Parent Council from another school.
Education Appeals and Bursaries – three Members
Access to Personal Files – three Members

And that the Members to be appointed on any occasion will be so appointed by the Executive Director – Customer Services from the Cohort here established and in so appointing those Members the Executive Director will select them by lot.

Audit Committee

Five Members (two from ruling Administration and three other Members) none of whom shall be a Spokesperson or Member of the Executive and two Members who are not Councillors who will be Chair and Vice Chair respectively.

The current Chair of the Audit Committee is Ian M M Ross and his term of office expires on 30 September 2012. The current Vice Chair of the Audit Committee is Martin Caldwell and his term of office expires on 31 March 2014.

Policy and Performance Groups (see paragraph 3.6)

Up to nine Members each to the following PPGs, in the selection of whom the Council will have regard to function, geography, and the skills and interests of Members, but will not appoint a Spokesperson to be a Member of the PPG.

Social Affairs
Economy
Environment
Organisational Development

3.3 The Scheme of Administration and Delegations provides that in appointing Members to the Committees other than the Executive (and the Area Committees), the Council will, where the Members of the Council are divided into different political groups, have regard to the distribution of Members amongst these groups.

3.4 In addition the Scheme requires the appointment of four Area Committees comprising the Members representing the Electoral Wards in those areas:-

Mid Argyll Kintyre and the Islands

The Members of the Council representing Wards 1 (South Kintyre), 2 (Kintyre and the Islands) and 5 (Oban, North and Lorn)

Oban, Lorn and the Isles

The Members of the Council representing Wards 4 (Oban South and the Isles) and 5 (Oban North and Lorn)

Bute and Cowal

The Members of the Council representing Wards 6 (Cowal), 7 (Dunoon) and 8 (Isle of Bute)

Helensburgh and Lomond

The Members of the Council representing Wards 9 (Lomond North), 10 (Helensburgh Central) and 11 (Helensburgh and Lomond South)

3.5 The following other Committees/Group have also been established during the lifetime of the last Council:-

Special Committee for Older Peoples Services and Learning Disability Services

Membership comprised –

Leader
Depute Leader
Spokespersons for Social Affairs; Third Sector and Communities; Rural and Island Affairs, Housing and Gaelic; and European Issues
Two other Members from the Ruling Administration
Two Members of the Opposition

CHORD Programme Management Board

Membership comprised –

Leader
Depute Leader
Chief Executive
Executive Director – Customer Services
Executive Director – Development and Infrastructure Services
Head of Strategic Finance

Roads and Transportation Working Group

Membership comprised -

Nine Members from the Administration including the Leader of the Council and Spokesperson for Transportation Issues

3.6 If agreement is reached on the establishment of a Performance Review and Scrutiny Committee membership will comprise ten Members consisting of four from the Opposition Groups, three non-Executive Members of the Administration and three CPP Partner nominees plus one independent Chair.

4. IMPLICATIONS

4.1 Policy - None

4.2 Financial - None

4.3 Personnel - None

4.4 Equal Opportunities - None

4.5 Legal - None

Douglas Hendry
Executive Director – Customer Services

May 2012

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ARGYLL AND BUTE COUNCIL **THURSDAY 28 JUNE 2012**

CUSTOMER SERVICES

NOMINATION FOR MEMBER TO THE PPSL AND REGULATORY COHORT

1. SUMMARY

This report requests the Council to nominate a Member to the Planning, Protective Services and Licensing Committee (PPSL) and Regulatory Cohort.

2. RECOMMENDATIONS

2.1 That Members nominate a Member to the PPSL and Regulatory Cohort.

3. BACKGROUND

3.1. The Council, at its meeting on 22 May 2012 nominated Members to the Council's PPSL, to include Councillor Robert G MacIntyre. Councillor Robert G MacIntyre has subsequently intimated his resignation from the PPSL and, as a consequence, the Council is requested to nominate a Member to the PPSL and Regulatory Cohort in his stead.

4 CONCLUSION

As a consequence of Councillor Robert G MacIntyre's resignation from the PPSL, the Council is requested to nominate a Member to the PPSL and Regulatory Cohort in his stead.

The current Members of the Regulatory Cohort and PPSL is:

<u>Ruling Group</u>

Cllr Blair (SNP)
Cllr Devon (SNP)
Cllr Freeman (Argyll and Bute Independent Councillors Group)
Cllr Hall (SNP)
Cllr R G MacIntyre (Argyll and Bute Independent Councillors Group)
Cllr S Taylor (SNP)
Cllr R Trail (SNP)

<u>Opposition Group</u>

Cllr Colville (Lib Dem)
Cllr Currie (Lib Dem)
Cllr Kinniburgh (CON)
Cllr MacDougall (Independent)
Cllr MacMillan (Independent)
Cllr McNaughton (Independent)
Cllr McQueen (Independent)

5. IMPLICATIONS

Policy:	*None at present.*
Financial:	*None at present.*
Legal:	*None at present.*
HR:	*None at present.*
Equalities:	*None at present*
Risk:	*None at present*
Customer Services:	*None at present*

For further information please contact:

Douglas Hendry
Executive Director of Customer Services
01546 604367

ARGYLL AND BUTE COUNCIL — **COUNCIL**

CUSTOMER SERVICES — **28TH JUNE 2012**

ARMED FORCES CHAMPION

1. SUMMARY

1.1 The Council previously continued consideration of a proposal to appoint an Armed Forces Champion to take on the task of ensuring that local service provision is mindful of the needs of Service Veterans. This report invites the Council to give further consideration to the matter.

2. RECOMMENDATIONS

2.1 To consider whether to appoint a Champion and if so advised to report to a future meeting on the role and remit.

3. DETAIL

3.1 The Council previously continued consideration as to whether to appoint an Armed Forces Champion to allow further investigations with interested parties on the role that such a champion might undertake. Inquiries were made and of the responses received it was clear that the role could be seen as a positive step .It was unclear however as to the role that might be adopted given the diverse geography of the Council area, and the existing role of related organisations. There was also a possible overlap with other existing engagement with the community and events that recognise the service and sacrifice of the armed forces.

3.2 If the Council were to appoint a Veterans' Champion it would need to be clear what the remit and role was of that Champion and therefore it would be appropriate to report back to a future meeting of the Council on this issue.

3.3 There would need to be a clear division between the civic role of the Provost which has historically taken the lead for the Council in Remembrance Sunday arrangements, in more recent times engaging with local community groups in marking armed forces week with gala celebrations and flag raising ,and that of the possible role of the Champion in scrutinising how Council services can be responsive to the needs of ex servicemen.

4. IMPLICATIONS

4.1 Policy – None at this time

4.2 Financial – not able to ascertain any additional cost that might arise at this time.

4.3 Legal – None
4.4 Personnel - None
4.5 Equal Opportunities - None
4.6 Customer service - the champions role could be used to tailor council services to better meet the needs of ex servicemen who may have additional needs

For further information contact Charles Reppke on extension 4192
20th June 2012

ARGYLL & BUTE COUNCIL **Full Council**

DEVELOPMENT & INFRASTRUCTURE SERVICES

DATE: 28 June 2012

TITLE - Conservation Area Regeneration Scheme (CARS) – Round 5 Potential Project

1.0 SUMMARY

1.1 Historic Scotland (HS) announced their fifth Conservation Area Regeneration Scheme (CARS) grant funding round on 29 February 2012. This scheme is available to provide financial assistance for Conservation Area based regeneration and conservation initiatives undertaken by Local and National Park Authorities, community groups and other 3rd sector organisations experienced in delivering multi-funded projects. Assistance is either through support to establish a Conservation Area Regeneration Scheme (CARS) or through support for a Heritage Lottery funded Townscape Heritage Initiative (THI). The deadline for submissions is the 31 August 2012

1.2 This fifth round of CARS funding has a total budget of £10 million. HS intend to make awards of up to £2 million to any one scheme although they have advised that what is being sought is a diverse range of projects as regards size designed to meet the needs of the community. In previous rounds awards have ranged from £62,500 to £1,500,000.

1.3 This paper seeks to provide Members with the background to the CARS Round 5 grant funding bid, identifying the key issues for consideration and the conclusion of the options appraisal undertaken for the five short listed conservation areas/settlements.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members:

(i) Consider the content of this paper

(ii) Agree to the outcome of the options appraisal undertaken for the five shortlisted settlements/conservation areas and the identification of Inveraray as the priority town.

(iii) Agree to Inveraray as the preferred settlement/conservation area for a submission to CARS Round Five deadline of 31 August

iv) The CARS funding bid will be developed on the basis of conditional match funding from the Council. The Business case for the CARS bid and related requirement for match funding be developed for consideration within the budget setting process and timetable for 2013/14

v) Agree that the supplementary estimate of £35,000 be made available to allow the appointment of a conservation area accredited consultants to undertake the necessary development work (identification of scope and full costs) in order to ensure the development of a robust CARS bid.

vi) Agree to delegate approval for the submission of the CARS Bid to the Executive Director for Development and Infrastructure subject to approval from the Chief Executive, Head of Strategic Finance and in consultation with Lead Councillor, John Semple

3.0 DRAFT CONSERVATION AREA REGENERATION SCHEME (CARS) ROUND 5

Background

3.1 The CARS programme was established in 2005 to provide financial assistance to area based regeneration and conservation area initiatives for the historic environment. The CARS scheme can either operate as a stand-alone initiative or as an additional funding stream in support of projects being taken forward under the Townscape Heritage Initiative (THI) programme. Since 2005 there have been four application rounds awarding a total of just under £16.5 million of Historic Scotland (HS) funding. This fifth round of CARS funding has a total budget of £10 million. The CARS programme is a five year programme and will run from 1 April 2013 – 31 March 2018.

3.2 Argyll and Bute Council have benefited from both the first CARS application round (2007 – 2012) and the fourth CARS application round (2011 – 2016). The Campbeltown CARS project was approved in the first round with an award of £382,500 from HS. In round four the Rothesay THI/CARS project was awarded £500,000 of HS funding.

3.3 The critical thing to bear in mind is the additional funding that has been secured as a consequence of the award of the HS CARS funding in regard to both of these projects and the resulting investment that has been secured and is being delivered to the built heritage in both of these towns.

3.4 The Rothesay CHORD CARS/THI project commenced in 2011 and will run until 2016. In addition to the £499,933 of CARS funding £1.5 million was also secured from HLF, £500,000 from the Council and £100,067 Leader giving a common fund of £2.6 million. This is where there can be added benefit in combining a CARS scheme with a Townscape Heritage Initiative (THI) however this will not always be the best option.

3.5 The Campbeltown CARS began in 2007, and officially ended 31 March 2012. The Scheme was delivered on time and on budget and has secured the following outcomes:

- 17 shopfronts refurbished
- 140 original timber windows refurbished
- 75 grants offered amounting to **£650,000**
- Work to 50 buildings
- Taking other funders and owners contributions into account over **£4m** has been spent on buildings since 2007 (this includes the THI/CARS overlap period)
- Over 40 local contractors involved to date.

The Campbeltown Townscape Heritage Initiative (THI) project has been in progress alongside the CARS since 2009, which has increased the benefit to the town during this overlap period as this has made available a greater amount of common fund to be reinvested in the built heritage of the town centre. The THI project will continue until June 2014

3.6 The CARS funding provides financial assistance to area based regeneration and conservation area initiatives for the historic environment. The guidance notes relative to this fifth round advise that priority/consideration will be given to

- those authorities who have not previously benefited from the programme (although this does not exclude those authorities who have previously benefited)
- places that have demonstrated social and economic disadvantages which affect their capacity to support sustainable regeneration.
- areas where there has been a clear period of under investment via support from HS's other repair grant schemes
- projects which show true partnership working between local authorities, National park Authorities and community groups and other 3rd sector organsiations experienced in delivering multi funded projects.

3.7 When assessing the submission to the fifth CARS round the following will be taken into consideration

- is the town area within a conservation area
- is there an Article 4 direction in place
- has a conservation area appraisal and a conservation area management plan been undertaken and produced

- links to development plan policy
- what are the levels of vacancy affecting the commercial and residential properties
- what are the general condition of the properties
- how many buildings at risk are there within the conservation area that are currently on the building at risk register
- employment and deprivation statistics
- other funding and delivery partners

The above criteria have been used as the key parameters in assessing the impact of each conservation area as regards the options appraisal.

3.8 In addition to the above a break down has to be given as to the expenditure linked to

- small grant scheme
- education and awareness
- training and skills (up to 5% of budget)
- Public realm works (max 20%)
- Administration including appointment of officer

3.9 The Council has a significant number of conservation areas within its area, 31 in total, excluding those in the Park, however not all of these would be suitable to or meet with the criteria as laid out above nor would they necessary been seen as a priority at this stage. On initial examination of all conservation areas a short listing exercise has been undertaken based on a built heritage assessment of their condition and suitability and whether they meet the above criteria. From this initial exercise a number of conservation areas been identified as requiring a more detailed options appraisal. These conservation areas are as follows:

- Campbeltown (phase 2)
- Dunoon
- Inveraray
- Lochgilphead
- Tarbert

3.10 Previously the town centre conservation area of both Campbeltown and Rothesay were recognised as a priority given the importance of their built heritage and the need to secure investment given the poor condition of the fabric of the town centres, the high number of buildings at risk that they each have, the fact that they were covered by an Area For Action (AFA) within the Development Plan and the need to secure investment to deliver wider town centre regeneration linked to the CHORD programme. In addition Inveraray was also considered as a key heritage asset and a CARS funding bid was prepared for submission to the first round of the CARS programme in 2005. However this was unsuccessful as it was mainly focused on maintenance and this is not something that is eligible under CARS. .

3.11 Since the announcement of the CARS Round 5 there has been a request from the Inveraray community for the Council to submit a CARS scheme to this round. In addition there has also been a suggestion for a submission relative to Dunoon. The key questions for consideration are

- does the Council consider that there is merit in submitting a bid(s) relative to one or more of its town centres/conservation areas to the CARS Round 5
- if yes which town(s) should this be for and
- where would any development funding and match funding come from

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3.12 In identifying the potential priority conservation areas/town centre area from the short list a full options appraisal requires to be completed. This will determine which town centre (s)/conservation area(s) would be the best option(s) to take forward at this point in time. Following on from this a fully detailed and costed scheme would need to be worked up before it could be determined as to the level of match funding sought from the Council and potential partners such as ACHA. With regard to Inveraray ACHA are currently looking to undertake repairs to the tenement referred to as Relief Land. There have been some initial discussions with ACHA in regard to this building being part of a CARS bid and they have indicated a general support for this approach if it will help to deliver their project and assist those private owners within this building.

3.13 In the future further consideration also needs to be given to the potential development of THI/CARS 2 initiatives linked to both Campbeltown and Rothesay thereby building on the investment already secured. This is something that can hopefully be investigated and discussed through the strategic partnership with HS and the development of our built heritage/historic environment strategy. It is hoped that the options appraisal will not only inform this CARS Round Five bid but also future funding calls relating to both CARS and THI. Whilst for this particular Round it is considered that a submission relative to Campbeltown would be considered premature pending the successful delivery of the current THI, it should be considered for future CARS Rounds.

4.0 OPTIONS APPRAISAL

4.1 The options appraisal is based on the five short listed towns/conservation areas and has been undertaken based on the four headings of impact, deliverability, affordability and risk. The sub heading relative to impact are based upon the scoring criteria required in the completion of the CARS Bid. The table below provides the overall score per settlement as well as the % breakdown for each conservation area based on impact, deliverability, affordability and risk. The detailed options appraisal can be viewed in appendix 1 attached to this report. As will be evident from the table below Inveraray has the highest score as regards suitability to progress to the development phase for a bid to CARS Round Five.

Evaluation by Criteria		Campbeltown	Dunoon	Inveraray	Lochgilphead	Tarbert
Total Overall Scores Per Town		**98**	**69**	**104**	**82**	**91**
% Breakdown of Overall Score per Heading	Impact	66%	64%	61%	63%	65%
	Deliverability	21%	22%	22%	22%	22%
	Affordability	0%	0%	4%	0%	0%
	Risk	12%	14%	13%	15%	13%

4.2 At this time it is not possible to score each town under affordability and this is reflected in the table above. Until a scheme is fully scoped and costed it is unclear as to the costs and level of match funding requirement from the Council. The development phase, which will require to undertaken by a conservation accredited architect, will determine the full cost of any scheme. The lack of information relative to detailed costings at this stage also has an impact on the score under the heading of Risk. Given the investment that ACHA are looking to make as regards Relief Land in Inveraray this has been taken into account in the table under affordability.

4.3 Community/partnership engagement is a critical component of any bid and there will need to be input from the community and key partners via a steering group to the development of any CARS scheme. In addition the success of any scheme is also reliant on property owners, be these shop owners or building owners, accessing the grants available and also requires them to make a level of investment dependent upon intervention rates and the costs of the works.

4.4 Deliverability is a key consideration given the tight time frame that we are working too. There is no doubt that all five towns that have been short listed would benefit from investment in the built fabric of their conservation area. However some are at a more advanced stage than others as regards meeting the criteria and undertaking the necessary development work to meet the deadline of 31 August. It is considered that Inveraray is best placed to meet this deadline when assessed against the criteria used both for the HS bid as well as the options appraisal. However, this does not mean to say that preparatory work, such as undertaking a review of the conservation area boundary and preparing conservation area appraisals for Dunoon and Lochgilphead, should not be taken forward. This work would allow these to be considered for future funding rounds for CARS or THI or a combination of both.

5.0 CONCLUSION

5.1 There is no doubt that there is benefit in securing funding for our conservation areas via the CARS and THI funding programmes as has been demonstrated from the success's in the Campbeltown CARS/THI and in the investment that is going forward in Rothesay as a result of the funding secured from the these programmes. However this does require a commitment of investment from the Council itself both as regards financial (developments costs and match funding) and staff resources. The commitment required will be developed through the business case process for consideration as part of the budget setting process.

5.2 The success of any scheme is also reliant on owners accessing the grants available and also requires them to make a level of investment dependent upon intervention rates. This is where community buy in is critical.

5.3 It also has to be remembered that this is a competitive bidding process open to all local authorities across Scotland and funding is in no way guaranteed. However the CARS funding programme offers a real opportunity for investment in the built fabric of our towns/conservation areas and bring with it the opportunity for wider economic regeneration. At this point in time it is considered that the town/conservation area of Inveraray is best placed to go forward to the next funding round of CARS. This is not to say that the other towns would not also benefit from this funding but further preparatory work would be required. This would be picked up and identified via the strategic approach that is being developed as regards our built heritage/historic environment strategy. This strategy will outline the importance of the built heritage to Argyll and Bute's Communities, Economy and Culture. It will map out medium to long term objectives relating to the management, development and protection of the historic environment and will link to an action plan and identify the necessary budget to take these actions forward. This will include consideration of any future CARS/THI bids.

6. 0 IMPLICATIONS

Policy:	Through the Corporate Plan, Development Plan, Community Plan and Economic Development Plan the Council recognises the importance of investment in its built heritage in order to secure the regeneration of its towns and the economic benefit that will come from this. In addition the approach being taken as regards the options appraisal reflects the strategic approach that is

being developed as regards our built heritage/historic environment strategy. The strategy will outline the importance of the built heritage to Argyll and Bute's Communities, Economy and Culture. It will map out medium to long term objectives relating to the management, development and protection of the historic environment

Financial: The financial implications are two fold as regards taking forward a bid to the CARS Round 5 call. These relate to the need to secure the necessary resources for the development phase (survey work and costed schedule of work) as well as the match funding which can only be determined once a fully worked up scheme is developed and costed through the business case process for consideration through the budget setting process. The supplementary estimate of £35,000 requires to be made available for the development works.

Legal: None

HR: None

Equalities: None.

Risk: There is no guarantee that any funding bid will be successful as this is a competitive process and is open to all local authorities across Scotland.

Customer Service: None

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CARS OPTIONS APPRAISAL SCORING

No	Heading	Criteria	Weighting C/T	Weighting Dunoon	Weighting Inveraray	Weighting Lochgilphead	Weighting Tarbert
	Impact	National – Strategic outcomes					
1		Scottish Government Economic Strategy	4	4	4	4	4
2		Scottish Government Regeneration Strategy: Achieving A Sustainable Future	4	4	4	4	4
		Corporate - Strategic Objectives					
3		Spatial Development Plans - AFAs	6	2	6	6	6
4		Economic Development	4	2	4	4	4
5		Community Planning Partnership Plans	2	2	2	2	2
		Project Objectives					
6		Description of project	4	2	6	4	4
7		Priority projects targeting buildings at risk	3	3	6	4	4
8		No of project priority buildings on BAR register	4	2	3	3	0
9		Community Engagement	4	3	5	3	3
10		Training Opportunities	3	4	4	4	4
11		Public Realm conservation and restoration	3	3	3	3	3
12		Regeneration benefit to historic environment	4	2	6	4	4
		Qualifying Criteria					
13		Article 4 Direction in Place?	0	0	0	0	6
14		Conservation Area Appraisal/Management Plan	6	0	4	0	4
16		Levels of vacant commercial and residential properties – high, medium, low?	3	2	1	2	2
17		General condition of conservation area?	3	2	4	4	4
		Indicators of Social and Economic Disadvantage					
18		Scottish Index of Multiple Deprivation	4	4	0	0	0
19		Population Data	4	3	1	1	1
		Sub Total - Impact	65	44	63	52	59
		% Weighting	66.3%	63.8%	60.6%	63.4%	64.8%
	Deliverability	Participation					
22		Partnership working for 3rd sector	3	2	4	3	3
23		Partnership working with 3rd sector	3	2	3	3	3
		Scale of Scope					
24		Fit between CARS application objectives with scale scope of what is required	4	2	5	4	4
		Technical / Operational Issues					
25		Level of complexity	3	3	3	2	2
26		Future Requirements	4	4	4	4	4
27		Time required to develop project	4	2	4	2	4
		Sub - Total Deliverability	21	15	23	18	20
		% Weighting	21.4%	21.7%	22.1%	22.0%	22.0%
28	Affordability	Optimum affordability	0	0	0	0	0
29		Size of Award Required	0	0	0	0	0
30		Match Funding Available	0	0	0	0	0
31		Partner Funding	0	0	4	0	0
		Sub Total - Affordability	0	0	4	0	0
		% Weighting	0.0%	0.0%	3.8%	0.0%	0.0%
32	Risk	Impact - objectives not met	3	2	4	3	3
34		Affordability - financial exposure	0	0	0	0	0
35		Deliverability - conflict with other operational projects	4	4	4	4	4
36		Deliverability - property owners commitment / buy-in	2	1	3	2	2
37		Deliverability - timescales	3	3	3	3	3
		Sub Total - Risk	12	10	14	12	12
		% Weighting	12.2%	14.5%	13.5%	14.6%	13.2%
		Total	98	69	104	82	91

Classification	Score
No Fit / Very severe	0
Some Fit / Severe	2
Close Fit / Material	4
Total Fit / Manageable	6

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ARGYLL & BUTE COUNCIL **SMT & COUNCIL**

DEVELOPMENT AND INFRASTRUCTURE SERVICES **JUNE 2011**

PLANNING REFORM: RESPONSE TO SCOTTISH GOVENMENT CONSULTATION PAPERS

1. SUMMARY

The purpose of this report is to respond to 5 X Scottish Government Consultation papers titled:-

- **DEVELOPMENT DELIVERY –** *Appendix A*
- **DEVELOPMENT PLAN EXAMINATIONS –** *Appendix B*
- **MISCELLANEOUS AMENDMENTS TO THE PLANNING SYSTEM –** *Appendix C*
- **NON-DOMESTIC GENERAL PERMITTED DEVELOPMENT ORDER –** *Appendix D*
- **PLANNING APPLICATION FEES –** *Appendix E*

The Consultation papers seek views from all sectors of the development industry on proposed changes to the Scottish Planning System which is part of the Scottish Governments modernisation regime.

Views are sought via a series of questions set out in the appendix of this report. Summaries and main messages from each of the consultations have been provided below.

The Government seeks views by the 22nd June and is likely to feedback and draw conclusions from all the responses in late summer 2012.

2. RECOMMENDATION

It is recommended that Members

i) Note the content of the report;
ii) Endorse the feedback to the specific questions as contained at the Appendix for submission to Scottish Government.

3. BACKGROUND

The Planning etc (Scotland) Act 2006 contained the most significant changes to the planning system in 60 years. The Act was drawn up against a commitment to make the planning system more efficient and inclusive. The majority of the new procedures and process came into effect in 2009 and Members may recall some of the changes that were implemented at the time such a bringing forward a new scheme of delegation, introduction of e-planning and a consolidated Planning Committee.

On March 28, 2012 Derek Mackay, the Minister for Local Government and Planning made a statement to the Scottish Parliament setting out the Scottish Government's new proposals for future reform of the planning system.

The aim of the proposals is to help the planning system reach its potential in supporting economic recovery. The emphasis is on non-legislative measures but legislative changes will be brought forward where necessary.

The key priorities for the next stages of planning modernisation are:-

- promoting the plan led system
- driving improved performance
- simplifying and streamlining processes
- delivering development

In order to deliver these priorities and help shape the proposed changes in the planning system / legislation the Government published a suite of consultation documents to obtain feedback from the development industry. This report encapsulates the feedback to these consultation exercises on behalf of the Council.

It is worth noting that alongside the consultation documents, a new planning performance framework (PPF) was also launched and came into effect on 1st April 2012. The PPF is a balanced approach to performance which will allow the Council to demonstrate achievements, successes as well as the historic speed of determination statistics.

4. DETAIL OF CONSULTATION

This part of the report shall detail the specific proposals and content of the 5 individual consultation documents. The consultation questionnaires can be found in the appendices A-E.

A - DEVELOPMENT DELIVERY

Overview

Infrastructure provision has traditionally been delivered by way of one-off public sector funded capital projects, by the programmed provision of projects by infrastructure providers such as the utility companies, and by way of developer contributions. The latter have usually been confined to larger scale projects and have been secured by way of negotiated agreements under planning legislation.

The imposition of obligations upon developers to deliver enabling infrastructure or to contribute to identified infrastructure priorities has depended upon there being sufficient economic returns in development to offset the costs of infrastructure augmentation or the funding of new provision. This approach has been weakened latterly by the economic downturn which has impacted upon profitability and viability to the point where infrastructure funding obligations imposed by the planning system can act as an inhibitor to development. The government is therefore on the one hand anxious to ensure that the development industry is supported through difficult times, and on the other, to ensure that necessary infrastructure is provided to support proposals on hand and to help facilitate future development.

The government's position on the use of planning agreements has been set out in Circular 1/2010 and associated advice from the chief planner. This affirms the validity of seeking contributions towards off-site enabling works, but advises the use of more flexible timing and the use of stage payments to avoid unnecessary up-front costs being borne by the developer. One difficulty with the use of agreements is that the planning authority is unlikely to have sufficient insight into the development economics of a proposal to be sure as to whether infrastructure contributions are on the one hand realistic in terms of maintaining project viability, or on the other whether they are under-specified in circumstances where a development could actually contribute more without threatening financial viability. There is therefore often a degree of uncertainty on the part of the planning authority as to whether a contribution offered or sought is realistic. Additionally, from the developer's point of view, the negotiation process introduces uncertainties into the funding of a project late on in the gestation of a project which entails a degree of uncertainty for the developer.

In addition to improving what can be done within the existing legislative and policy context, the Scottish Government is also seeking views on more innovative approaches to infrastructure provision such as the introduction of a Development Charge which would act as an infrastructure levy. Such an approach is currently being introduced in England via the Community Infrastructure Levy, with authorities currently consulting on charging zones and scales of charges.

Argyll and Bute Response

The current dependency on public sector funded capital projects and privately funded developer contributions does not support the delivery of substantial infrastructure provision in Argyll and Bute. The inability of the Council to fund key projects with the potential to unlock future development opportunities (such as the Oban Development Road, for example) has demonstrated that public finances and competing priorities continue to conspire to inhibit the delivery of development plan aspirations. Whilst larger scale development projects may still offer the prospect of high value long-term returns, and offer opportunities to secure substantial developer contributions towards off-site development mitigation and infrastructure improvements, (such as the Helensburgh Waitrose supermarket, for example), projects offering returns on this scale are few and far between in the context of a largely rural authority such as Argyll and Bute.

There are a wide range of infrastructure requirements associated with development for which appropriate funding mechanisms should be identified. These are not just limited to enabling or mitigation measures sufficient to secure planning permission, but also include measures to ensure that new development makes a contribution to the social and physical fabric of its surroundings, well as helping to address the additional demand that new development places on existing services   To that end infrastructure should be construed in the widest sense to include such things as:

Transport – road improvements, new construction, public transport improvements;
Utility provision
Flood defence – where strategic schemes are required;
Green infrastructure – open space and recreation provision;
Public Realm enhancements – environmental improvements, street works;
Social infrastructure - education provision, healthcare facilities, community facilities.

Local Plan Policy LP PG 1 currently forms the basis on which planning gain is sought from developers in Argyll and Bute, on the understanding that this will be subject to negotiation between the parties, but that it should be proportionate to the development, address consequences attributable to development, and secure measures which secure a legitimate planning process. This approach is consistent with the subsequent stance taken in Circular 1/2010.

Whilst large urban authorities with large scale redevelopment projects and high value end users are in a favourable position to exploit planning gain, most developments in Argyll and Bute are relatively small-scale and do not contribute anything towards off-site infrastructure. Only in the case of residential developments in excess of 8 units, where the development plan imposes an affordability obligation, or in excess of 20 units, where it imposes an open space/play equipment obligation, are there automatic burdens on the developer via planning policy to provide measures contributing to the common good. Accordingly, there is on the face of it, an attraction in the prospect of some form of an infrastructure levy which could be applied to specified categories of development proportionately to the scale of that development, in addition to the continuing opportunity to use legal agreements to overcome site specific impediments to development or to secure site specific mitigation measures.

However, the prospect of an infrastructure levy raises many complications. It could not be levied uniformly across all authorities and would be likely to require differential charging zones within authorities, given the wide variations in land values, prosperity levels, deprivation and so on, which would require it to be tailored to local circumstances. The fragility of the Argyll and Bute economy in the current climate is such that the priority of the planning system must be to facilitate and enable development, and to that end, it must be our priority to seek solutions to the needs of prospective developers, rather than to impose unexpected burdens or measures which act as a disincentive to development.

Whilst the current development plan does allow for and raises the prospect of planning gain so that it can be anticipated by developers, the plan does not provide for the levying of any form of development charge. Whilst it would be possible to do so either on an area basis, or on the basis of particular categories of development, such an approach could only be countenanced if it were to be underpinned by a policy justification which had been advanced through the development plan process and had been the subject of public consultation process and review at inquiry. In the absence of any intention to bring forward such a measure as part of the forthcoming Local Development Plan, there is no prospect of a development charge being levied unilaterally by the Council, in the absence of a requirement by government to do so. Accordingly, our approach will continue to be to seek proportionate planning gain via legal agreement in respect of development where off-site measures are required to support development proposed, or where the scale of development is able to support more extensive planning gain.

B – DEVELOPMENT PLAN EXAMINATIONS

Overview

The Planning etc. (Scotland) Act 2006 introduced important changes for development planning, including those related to the Local Development Plan (LDP) Examination process (formerly Local Plan Inquiry). An examination has the value of providing independent endorsement of the plan, which can give local stakeholders additional confidence in the planning process; ensure a plan complies with government policy; and provide a more transparent process. However, the Scottish Government is now aware of a number of issues with the new LDP Examination process and so is consulting on proposed changes.

The ability of planning authorities to depart from the reporter's recommendations was restricted by the 2006 Act and subsequent regulations. This has led to the following issues with the examination:-

- some authorities have had additional sites imposed on them;
- undermining of the role of elected members;
- undermining of the involvement of local stakeholders; and
- some lengthy/costly examinations where additional consultation was sought during the examination.

The following should be noted in terms of the last Public Local Inquiry on the Argyll and Bute Local Plan :-

- Many policies and sites in the Modified Finalised Draft Local Plan had full support. Therefore, they did not go to the Inquiry and were not commented on by the reporters.
- The majority of objections that did go to Inquiry (around 70%) were resolved in favour of the planning authority by the reporters.
- Of the objections where the reporter recommended changes to the plan around 28% were accepted by the planning authority
- A very limited number of the objections, where the reporter recommended changes to the plan, were either partially accepted or not accepted by the planning authority and a different approach was taken. However, the approach taken had the intention of addressing the issues raised by the reporters in their conclusions.

The impact of this change in the 2006 legislation would only be on the cases that fall under the final bullet point above. Whilst minor in number, the ability to have ultimate local control in these cases may be considered beneficial.

4 different options for a revised examination process are proposed as a solution to these issues as follows:-

Option 1 – Improve current practice

Leave as is but instigate minor changes to practice such as promotion of good practice, improved project management and not seeking to gather additional evidence during examination but highlighting short comings and need to address. This has the advantage of an independent and transparent process but would not fully address issues raised.

It is considered that whilst not providing a long term solution this option has merit as an interim solution prior to primary legislation being implemented.

Option 2 – Greater discretion to depart from Reporters recommendations
Planning authorities would have to provide clear reasons to demonstrate that the reporter's recommendations were not in the interest of the area. This would require a change to primary legislation and may undermine confidence in the process (challenges related to undermining of independent scrutiny) but could offer greater local control.

Subject to an amendment, this option is considered to be the preferred approach. It is recommended that a further stage be introduced into the LDP process whereby planning authorities are given an opportunity to respond to the reporter's deliberation and decision which could then be formally accepted or rejected by the planning authority, stating reasons for doing so. This should reduce the potential for challenge to the process.

Option 3- Restrict the scope of the examination
For example Permit planning authorities would define the matters they considered necessary to be examined or focus only on the plans compliance with the National Planning Framework and the strategic development plan. This could result in reduced confidence in process and legal challenges for the planning authority. This would require changes to secondary and possibly primary legislation.

Option 4 – Remove the independent examination from the process
Planning authority would consider the representations and then adopt the plan (with or without modification). A report on the consideration of all the representations would be made public. This could erode confidence, has the potential to not conform with national policy and could result in legal challenge. This would require changes to primary and secondary legislation.

Note - Primary legislation change would take 2 years as a minimum and so the current LDP process would be liable to be subject to the current legislation even if options 2, 3 or 4 were selected.

Argyll and Bute Response
Implications
Policy: Should the Scottish Government select an option that requires primary and/or secondary legislation the timeframe is liable to be such that the changes would not impact on the examination for the Local Development Plan currently being prepared.
Option 1 : Minimal change from current practice i.e. ability for planning authority to depart from reporters findings would be restricted. But for areas where there was insufficient evidence at the examination these issues would be returned to the authority to address.
Option 2 : Subject to justification the planning authority could depart from the reporter's findings to introduce its preferred policy.
Option 3 : Restriction to reporters findings remains but limited to those issues at examination.
Option 4 : Council adopts the Local Development Plan policies without an examination.

Financial: The planning authority is responsible for costs associated with the examination of the Local Development Plan. Efforts to improve practice should make the process more efficient and potentially reduce costs. Removing or restricting the examination process may reduce the cost of the examination but is liable to lead to increased costs related to legal challenges.

Personnel: Planning staff prepare the case for the planning authority at the examination. Removing or restricting the examination process may reduce staff time related to the examination but is liable to lead to increased staff resource required related to legal challenges.

Equal Opportunity: Options 1 : None; Option 2: Examination may be seen as not independent; Option 3: Restricts opportunity of some to have issues dealt with at examination. Examination may be seen as not independent; Option 4: Removes the opportunity for all to have issues dealt with at an independent examination.

Legal : It is considered that Options 3 and 4 would increase the risk of legal challenge to the planning authority.

Customer Services: None

C – MISCELLANEOUS AMENDMENTS TO THE PLANNING SYSTEM

Overview

This consultation seeks views on draft legislation for a number of refinements and amendments to the procedures on development management, schemes of delegation, local reviews and appeals. Highlights of the proposals are:

- The removal of statutory Pre Application Consultation (PAC) requirements for section 42 applications, for major and national development.
- Amendments to neighbour notification and advertising of planning applications
- Additional requirement to consult Network Rail
- Revision to delegation of planning authority interest cases
- Where local review procedures would apply, an extended period for the determination of an application may be agreed between the applicant and the appointed person.
- Extending the period for determination of local reviews, sought on the grounds of non-determination of the application, to three months from two months.
- Views are sought as to whether requirements relating to applications for Approval of Matters Specified in Conditions are excessive.

Following consultation with stakeholders, the Scottish Government expects to lay Scottish Statutory Instruments in Parliament in autumn 2012.

Argyll and Bute Response

STATUTORY PRE-APPLICATION PROCESS

Planning applications for national and major developments require a minimum 12 week Pre-Application Consultation (PAC) process prior to submission. The consultation paper suggests the removal of statutory PAC requirements for “section 42 applications”. These are applications to vary the conditions attached to existing planning permissions. The 2010 Consultation sought views on a number of approaches to making PAC requirements more proportionate in relation to applications to amend existing planning permissions (known as "Section 42 Applications") for major and national development. The concern raised by planning authorities and developers is that the requirements of waiting 12 weeks and having to hold public events is often disproportionate to the proposed amendment. It could also put additional burdens on communities. Having considered these responses, the Scottish government has concluded that removing PAC requirements for Section 42 Applications represents a pragmatic, proportionate and simple solution but that these legislative amendments to PAC requirements woud not apply to applications for planning permission incorporating changes other than to conditions, as such other changes are considered to be material.

While these changes are to be welcomed, it is considered that the problem is overstated. The very purpose of the pre-application process is to engage with stakeholders and, if need be, amend the proposal prior to submitting an application. A Proposal of Application Notice (PAN) and the associated PAC process have no limit of time. It would therefore appear that, once a PAN and PAC have been carried out, there is no inherent reason why more than one planning application can be submitted.

NEIGHBOUR NOTIFICATION AND ADVERTISING OF PLANNING APPLICATIONS

The Scottish Government intends to amend the current requirements so that:

a) advertising is not required where neighbouring land is a road (as defined in the Roads (Scotland) Act 1984) or a private means of access to land; or land with no premises which is owned by the applicant or the planning authority
b) advertising is not required where the application is for householder development and neighbouring land has no premises on it
c) the separate charging regime for recovering the costs of advertising from applicants will be removed and such costs will be met out of fee income, with an adjustment to fee levels to cover this.

The Scottish Government wants to ensure that people can access information about proposals that may affect them or their communities in the most appropriate way and without undue cost and delay being added to the process. These changes seek to help streamline the process around advertising planning applications and to make the requirements more proportionate. At present there are requirements for neighbour notification, for the publication of the weekly list of applications, available in planning offices, libraries, on-line and sent to community councils, and in some cases there are further requirements for newspaper advertising. The Scottish Government would welcome views on the effectiveness of the current arrangements..

The Council's total spend on advertising planning applications for financial year 11/12 was over £100,000. Although some, but not all, of this cost is carried by applicants through an advertising fee (currently £156), this level of expenditure is not justified by the level of representation received in response to press notices. Furthermore, determination of some applications has to be delayed simply to await the expiry of publicity periods. The proposed restrictions on the need to advertise under a) and b) above would remove some advertising which adds little value to the process. However, mindful of the geography of Argyll & Bute, the exemption could usefully be extended to cases where the neighbouring land is the foreshore, railway or canal or other tracts of land owned by public bodies such as Scottish Water or Foresty Commission Scotland.

The intention to absorb the costs of advertising into general application fees would require an increase in application fees of approx £50, based on some 2000 applications per year. This would not only spread the burden of expense across all applicants but also simplify administration as many applicants and agents currently contest the need to advertise particular applications.

Retaining the newspaper advertisement regime but removing the ability to charge the actual cost also creates a local authority lottery based on the expense of newspapers. In certain areas (Helensburgh for example) the cost of an advert in a local paper can be significant depending on how many adverts are placed each week. If a single advert is placed in the local Helensburgh paper then the cost is regularly above £500 – ie greater than the planning application fee at present! Some of the other newspapers in Argyll and Bute are cheaper so an average re-charge is taken throughout. So even within a single authority where multiple papers are in circulation the variations in advertisements costs causes disparities. These disparities shall result in certain Local Authorities with cheaper papers benefiting more form the increase in fees than Authorities such as ourselves where newspaper costs are generally high. This is considered to be unfair and would commend the total abolishment of newspaper adverts or replacement with online Public Information Notices (PINS) portal.

This issue with disparities between newspaper charges is compounded by our rural nature. Authorities such as Argyll and Bute must advertise more frequently than an urban authority given there are more ‘vacant land’ notifications and undeveloped areas. Again we feel that the benefits of the increased fees shall not be fully realised given our expensive papers and rural nature and shall be disadvantaged compared to other authorities.

In addition to the suggested changes, it is considered that a reduction in the need to advertise applications affecting listed buildings and buildings in conservation areas would be beneficial, especially since the new householder permitted development rights introduced in February 2012 require planning applications for many minor proposals. It is considered that planning authorities should be given discretion as to whether to advertise such proposals

NEW CONSULTATION REQUIREMENTS

In response to recommendations from the Rail Accident Investigation Branch, after a derailment incident associated with development near a railway line, the 2010 consultation included a proposal to consult Network Rail on developments within 10 metres of a railway line or the boundary of railway property. In the main, responses were content with the distance from a railway line. The proposed amendment to the consultation requirements is set out in regulation 2(5) of the Town and Country Planning (Miscellaneous Amendments) (Scotland) Regulations 2012. This adds to the existing requirement to consult Network Rail and other railway undertakers in relation to development affecting level crossings.

In light of the consultations generated, Network Rail will consider whether to use the powers in Regulation 25(4) of the DMR, which allow consultees to write to planning authorities indicating types of case on which they do not require to be consulted.

From a practical point of view Argyll and Bute Council could easily buffer a railway line as this information is in the OS MasterMap Topo layer and consultations could be generated easily. However, as we don't hold land ownership data for Network Rail or other railway undertakers, it may be difficult to comply with the consultation requirement in such cases.

DELEGATION OF PLANNING AUTHORITY INTEREST CASES

Procedures introduced in 2009 specified that where the decision on a planning application for local development was delegated to an appointed person, that decision could be challenged via a local review and not an appeal to the Scottish Ministers. Local reviews are considered by members of the planning authority who make up the local review body or "LRB".

The Town and Country Planning (Schemes of Delegation and Local Review Procedure) (Scotland) Regulations 2008 prevent the delegation of applications in which the planning authority has an interest (as applicant or as owner of or having a financial interest in the land to be developed) or which have been made by members of the planning authority. Many applications for relatively minor developments, which would previously have been delegated to an officer for decision, have therefore had to be referred to committee for a decision. This delays decisions and diverts planning authority resources.

Many 'Council interest' applications have been reported to PPSL Committee, most of which have been minor in nature and uncontroversial. The proposed changes are welcomed and would allow the authority to amend its scheme of delegation to remove the requirement for such applications to be referred to Committee for decision.

AMENDMENTS TO LOCAL REVIEW PROCEDURES

The 1997 Act allows an applicant to appeal to Ministers where a planning authority has not determined the application within the period set out in regulations or "within such extended period as may be at any time be agreed upon in writing between the applicant and the planning authority". The effect of such an agreement is to postpone both the point at which the right to appeal on the grounds of non-determination arises and the start of the three month period within which such an appeal must be made.

There is no similar allowance made for agreements in relation to cases to which local review would apply. In such cases the applicant would need to seek local review within three months of the end of the prescribed two month period or lose the ability to seek a local review on the grounds of nondetermination. Applicants may therefore feel pressed to seek such a local review rather than risk losing that right by waiting even a short additional period for the officer's decision.

Introducing a similar power to agree extensions in local review cases would ensure applicants had the flexibility to agree longer decision periods and preserve their right to seek a local review on the grounds of nondetermination. In addition, planning authorities often have criteria within their Scheme of Delegation which rely on what may arise during the processing of an application, e.g. numbers of or types of objections. It is not always clear at the outset, therefore, whether an application for local development is one in which an extension to the period for determination can be agreed.

The Scottish Government propose to amend section 43A(8) of the 1997 Act so that local reviews on the grounds of non-determination can be sought after the prescribed two month period, or after any extended period as may at any time be agreed upon in writing between the applicant and the appointed person.

The proposed amendment would introduce sensible flexibility to the applicant's right of appeal.

APPROVAL OF MATTERS SPECIFIED IN CONDITIONS (AMSC)

Since August 2009, those conditions attached to planning permission in principle which require the further approval of the planning authority, for some detailed aspect of the development, require an application under regulation 12 of the DMR. Such applications for AMSC must be neighbour notified, advertised, where necessary, in a local paper and subject to requirements on formal decision notices under the DMR. Concerns have been raised that this could be excessive, with, for example, objections triggering referral to committee on technical issues such as archaeological surveys. The comparison is made to the situation prior to August 2009, when, in relation to outline planning permission, only conditions relating to "reserved matters" – that was landscaping, access arrangements and the design and location of buildings – were subject to such formal processing. Other matters specified in conditions as requiring further approval could previously be dealt with by an exchange of letters.

The Scottish Government seeks views on these arrangements.

While details of a proposed development following the grant of planning permission in principle should rightly be subject to publicity, the procedural requirements for AMSC applications are now inconsistent with the long established procedure for dealing with details pursuant to conditions attached to full planning permissions by exchange of letters.

D – NON-DOMESTIC GENERAL PERMITTED DEVELOPMENT ORDER

Overview

The Town and Country Planning (Scotland) Act 1997 (and previous Planning Acts) contains powers for the Scottish Ministers to make a development order, which grants planning permission for certain Classes of development. The granting of planning permission in this way (often referred to as permitted development rights (PDR)) removes the need to apply for planning permission provided that the development complies with certain restrictions and conditions set out in the GPDO and that there is no Article 4 direction removing PDR in a specified area i.e. conservation areas.

The 2012 Amendment Order details a range of proposed changes to non-domestic permitted development rights, and follows a previous consultation on the subject in June 2011 and a Scottish Government focus group meeting with selected Local Authority representatives at which Argyll and Bute Council was represented. During the focus group meeting in November 2011, Argyll and Bute Council's initial consultation response was used as a basis for further discussion, contributing to the current Amendment Order consultation.

A similar exercise was also recently concluded in terms of domestic PDR, with amended rights taking effect in February 2012.

Argyll and Bute Response

The proposed amendments are key elements of the Government's wider modernisation agenda for planning, and contribute towards the key national aim of supporting sustainable economic growth.

Amendments are proposed to the following existing classes of permitted development:

- Class 15 – Temporary Use of Land (open air markets)
- Class 17 – Caravan Sites
- Classes 18, 22 and 27 – Private Roads and Ways
- Classes 25 and 26 – Industrial and Warehouse Development
- Class 33 – Local Authority Development

New classes of permitted development are proposed relating to:

- Class 7E and 7F – Electric vehicle charging points
- Class 7A and 7B – Extension of retail premises and provision of free standing trolley stores
- Class 7C – Extension or alteration of hospital, university, college, schools buildings and of nursing or care homes
- Class 7D – Extension of offices
- Class 7H – Use of land for pavement cafes
- Class 7G – Erection, construction or alteration of an access ramp

The standardised exceptions to be applied to new PDR classes exclude rights within:

- A site of archaeological interest
- A National Scenic Area
- A historic garden or deigned landscape
- A battlefield
- A Conservation Area
- A National Park
- A World Heritage Site

It is noted that the contents / implications of this Consultation Paper, for a predominantly rural authority, are fairly minor and in general Officers are supportive of the proposed amendments to assist local businesses where appropriate and tighten existing controls over potentially damaging items such as hill tracks.

In response to previous consultation responses, the proposals have been amended such that there are no changes proposed for aviation or harbours, PDR for new hill tracks should be removed, and the financial cap for Local authority developments is proposed to increase from £100,000 to £250,000.

E – PLANNING APPLICATION FEES

Overview

Audit Scotland in their report, Modernising the Planning system, concluded that "the funding model for processing planning applications is becoming unsustainable as the gap between income from fees and expenditure increases, putting greater pressure on already constrained council budgets". Over the six years to 2009/10 the report reflected that the overall gap between income and expenditure had increased in real terms from £6.7 million to £20 million. In 2009/10, 50% of expenditure on processing planning applications was offset by income from fees, compared with 81% in 2004/05.

The aims and principles underlying these amendments are that;

- the planning fees are more proportionate to the work involved;
- planning authorities should overall receive adequate resources from the planning fee to allow them to carry out their development management functions;
- the regulations are simpler and easier to administer;
- the regulations establish a clear link to the performance of planning authorities;
- the planning service recognises and delivers public value.

The proposed changes retain as much as possible of the current structure and approach. However, to ensure that the fee more accurately reflects the time and resources required to process applications the following changes are being proposed;

- the fee maximum is raised to £100,000 – *currently £15,950*;
- fees are linked to performance – *poor performance will result in financial penalties;*
- Increases are proposed for residential development- £800 for first house then £500 thereafter –*currently £319*;
- Increases in fees for retail and energy generating developments;
- alterations within the curtilage of existing dwellinghouses (householders) are charged at a lower rate than extensions and a lower fee should be charged for householder developments in conservation areas;
- advertising costs for the purposes of neighbour notification are included in the fee

- fees for certain categories of business development such as warehousing and offices may reduce
- Annual Increase in Fees: The Ministers also intend to make a provision within the fee regulations to increase the fees on an annual basis in line with the retail price index (RPI);
- the fee for subsequent applications made within 12 months of an application being granted, refused or withdrawn is 50% of the application fee; - currently free;
- a new 50% fee is introduced for the renewal of planning permissions which have not yet lapsed
- the fee for applications for Certificates of Proposed Use or Development from householder developments should be removed

These changes to the fee structure and method of calculation aim to recover the relatively high fixed costs for the first unit of development.

The overall resourcing of the planning service is the responsibility of local authorities. The planning service is financed through the local authority's budget and fees from planning applications.

Argyll and Bute Response

The consultation document sets out a number of proposed changes to the planning fee regulations associated with all types of planning applications. Depending on the outcome of the consultation, this will impact upon the level of fee income generated by Development Management and how much our customers shall need to pay when applying for planning consent. In the current economic climate it may appear perverse for the Scottish Government to be increasing the financial burdens on developers but it is widely accepted that the current fees are outdated and are only a small part of any development project. Furthermore, small low value projects such as replacing windows, garden fences and installation of dormer windows shall actually decrease in cost ensuring fees remain proportionate to development and do not unduly restrict projects from going ahead.

We generally welcome and support the majority of proposed changes in an effort to ensure that the applicant funding of Development Management is sustainable and proportionate to the work undertaken by officers.

Higher fees are proposed across almost all categories of development (with the exception of small scale householder development which is proposed to be reduced) and the level of fee income generated may increase, particularly as a result of significant changes to the fees relating to larger scale developments such as windfarms, housing, retail and industrial developments as well as yearly increases.

Whilst it has not been practicable to determine the exact value of the proposed changes on income level accurately, a short audit has been carried out and it has concluded that the overall effect will be beneficial. Given that our newspapers are particularly expensive in Argyll and Bute we are unlikely to notice significant benefits as some other authorities now that the advertisement fees are now encompassed with the application.

It will be necessary, however, for the Council to be able to demonstrate satisfactory performance in the light of the proposed linking of fees to performance and that any increases in fee income are reinvested in the planning service. The consultation process is anticipated to be concluded in the Autumn with any proposed changes not being in place until early 2013 and so any financial impact for the current financial year will limited.

5. IMPLICATIONS

5.1	Policy	None as this is a consultation document
5.2	Financial	None as this is a consultation document however significant financial implications would result once legislative changes are made. For example potential increase in planning applications fees, financial penalties for poor planning performance and resources required to undertake Development Plan Inquiry.
5.3	Personnel	None
5.4	Equalities Impact Assessment	This consultation has no implications for disadvantaged groups.
5.5	Legal	None as this is a consultation document.

APPENDIX A – DELIVERING DEVELOPMENT

DEVELOPMENT DELIVERY CONSULTATION QUESTIONS

Consultation question 1a: Do you think the current planning system supports or hinders the delivery of development and infrastructure?

☐ **Strongly supports**

☐ **Mostly supports**

☐ **Does not influence**

☐ **Mostly hinders**

☐ **Strongly hinders**

☐ **Don't know**

Please explain why you have chosen your above answer.

Response: Mostly supports – The planning system provides a mechanism whereby developers are obliged to contribute to or cover the cost of off-site works associated with their developments by way of legal agreements. These may be in respect of works which are essential to enable a permission to be granted, or may be towards identified infrastructure aspirations where developers are expected to make a contribution. The process is well understood and anticipated by prospective developers and the justification for it is underpinned by development plan policy. The reasoning behind the measures adopted are made explicit as part of the planning process and are therefore also understood by third parties. The planning application process is such that the infrastructure consequences of development will be identified early on in the application process, thereby enabling discussion and negotiation between the parties to take place concurrently with the consideration of the application.

Consultation question 1b: What additional measures could be taken to support development and infrastructure delivery?

Response: The current use of planning obligations involves an element of uncertainty for the developer, involves negotiations in circumstances where the developer is party to information which is not necessarily disclosed to the planning authority, and there is often delay at the end of the process in the drafting and concluding of the agreements. It is important that the financial information dictating development viability is disclosed to the planning authority so that open negotiations can take place, and that standard agreements and templates are made available in order to reduce the time taken in concluding the agreements once negotiations have been completed.

Consultation question 2: How well do you think the process of seeking developer contributions through Section 75 planning obligations is functioning?

☐ Process functions well

☐ Process requires some MINOR changes

☐ Process requires some MAJOR changes

☐ Section 75 Planning Obligations is not an appropriate process for securing developer contributions

Please explain why you have chosen your above answer and identify what can be done to alleviate any issues raised?

Response: Process requires some MINOR changes - The current system of planning obligations underpinned by development plan policy targeted to those developments which require, or which are of such value as to be capable of contributing towards, infrastructure provision continues to be the most appropriate mechanism for securing developer contributions. The process is such that the conclusion of legal agreements at the end of the planning process is often protracted and delays the issuing of permissions. This could be streamlined by having standard templates for such agreements, agreed by legal and financial institutions as being fit for purpose, which would reduce the scope for requests for revisions as part of the legal process and the delay associated with such. The phasing of agreements having regard to the difficulty in securing up-front funding from the banks would be helpful in recognising the realities associated with developers' cash flows throughout the course of development.

Consultation question 3: What additional measures or support could the Scottish Government undertake or provide to facilitate the provision of development and infrastructure within the current legislative framework?

- *Existing use values;*
- *Post-development values;*
- *Construction costs;*
- *Exceptional site costs (e.g. demolition, contamination remediation);*
- *Implications of policy requirements (e.g. affordable housing, open space);*
- *Sales value;*
- *Subsidy if available (e.g. grant funding).*

This would enable better understanding of the financial attributes of a development and would provide more certainty that the contribution envisaged is proportionate to the development. In so doing, it would ensure that requirements imposed by the planning authority would not be of such magnitude as to impinge on development viability, but would also ensure that it represented a realistic contribution which was not under-valued as a result of the developer holding all the information about the economics of the proposal.

Consultation question 4: What innovative approaches are you aware of in facilitating development and infrastructure delivery and what are your views on their effectiveness?

Response: Planning Authorities have utilised various forms of development levy to secure contributions towards infrastructure delivery, either in respect of a single development (such as developer contributions towards the Borders Rail Link and various authorities with Airport Development Charges), or more widely such as the newly introduced Community Infrastructure Levy in England, which is in effect a development tax applying to all occupied buildings.

The success of such an approach depends upon the underlying economy being healthy, the scale of development being significant (as small projects contribute relatively little and could be hit disproportionately hard by such a levy) and the operation of such a system being understood in advance by being underpinned by national policy and the provisions of the development plan. Experience to date in England, where most authorities are still consulting on prospective charges, is that the introduction of such charges is not widely understood and that local authorities are tending to levy the most stringent charges on residential and retail developers (which would otherwise have been candidates for legal agreements anyway), whilst not be inclined to levy much more than a nominal charge on other developers. Experience in Canada, where development charges have been levied for some time, is that some authorities have opted out of development charging in an attempt to secure preferential advantage over neighbouring authorities, which unhelpful in that it promotes unnecessary competition for development between authorities.

The fragility of a marginal rural economy such as that found in Argyll is such that a development levy would be likely to prove an impediment to investment, in circumstances where development costs are high, and commercial returns are limited. Additionally, the small-scale of development is such that it is often pursued by individuals or local businesses rather than commercial property investors, where developers would be likely to be hardest hit. This limited scale of development would also only produce relatively small contributions, which would take a long time to aggregate into meaningful investment in infrastructure projects. The need in this scenario is for public investment to unlock the potential of prospective development land and to encourage private investment, rather than to penalise developers with an infrastructure levy which is unlikely to be capable of funding infrastructure improvements for many years after development has taken place.

Consultation question 5: Would you be supportive of the introduction of a Development Charge system in Scotland to assist in the delivery of development and infrastructure?

☐ Yes

☐ No

Please explain why you have chosen your above answer.

Response: No for the reasons outlined above.

Consultation question 6: Do you have any information or can you suggest sources of relevant information on the costs and/or benefits to support the preparation of a BRIA?

Response: No

Consultation question 7: We would appreciate your assessment of the potential equalities impact these issues may have on different sectors of the population.

Response: Infrastructure provision benefits all sectors of society regardless of disadvantaged groups. Other than the fact that additional infrastructure will be designed to modern standards to meet the needs of persons with disabilities, there will be no implications for equality.

APPENDIX B – DEVELOPMENT PLAN EXAMINATIONS

CONSULTATION QUESTIONS

Question 1: How well do you think the examination process is functioning and should any changes be made to the process at this stage?

Argyll and Bute Council has not been through the new examination process as yet. The evidence presented by the Scottish Government in this consultation indicates that there are issues withsome authorities having additional sites imposed on them; undermining of the role of elected members; undermining of the involvement of local stakeholders; and some lengthy/costly examinations where additional consultation was sought during the examination. Whilst implementation of the new examination process is in the early stages it is considered useful to amend the process to take account of the noted issues.

Question 2: If you think changes are needed which option do you support, and why?

The preferred option is an amended version of option 2 as follows:- It is considered that Option 2 would address the concerns regarding democratic accountability but it may lead to challenges of undermining independent scrutiny of local development plans. It is therefore recommended that a further stage be introduced into the LDP process whereby planning authorities are given an opportunity to respond to the reporter's deliberation and decision which could then be formally accepted or rejected by the planning authority, stating reasons for doing so.

However, in the interim (as the above could take 2 years plus) it would be useful to adopt the positive elements of Option 1, such as promotion of good practice, improved project management and not seeking to gather additional evidence during examination but highlighting short comings and need to address.

Option 3 is not supported. There is no clarity on the appropriate level of focus for the restricted examination, nor how this would be determined. The planning authority would be liable to be subject to an increase in challenges where cases were not included in the examination.

Option 4 is not supported. It is considered that this will result in a loss of confidence in the transparency of the planning process currently provided by the examination process. Maintaining confidence and transparency is important in a plan led system.

Question 3: Are there other ways in which we might reduce the period taken to complete the plan-making process without removing stakeholder confidence?

Yes. The plan-making process could be completed more efficiently if all required elements were included within the planning process appropriately, which is currently not the case.

It should be acknowledged that where engagement has been meaningful there is the possibility for positive new suggestions (for sites/proposals) to emerge during the consultation process. If these were not anticipated during the preparation of the MIR it has been advised that an additional consultation, using the Strategic Environmental Assessment process, is required to allow these sites/proposals to be included in the proposed LDP.

Attempting to second guess every possible site/proposal at the MIR stage is costly, time consuming and wasteful of resources during the initial stages of the process, particularly for authorities with large geographical areas such as Argyll and Bute. To ensure the process is robust and therefore operates more efficiently either a new formal step needs to be introduced into the planning process (rather than using the SEA process) to deal openly and effectively with this issue. This would improve stakeholder confidence in the process as it would be clear how such issues should be dealt with by the planning process.

Question 4: Do you think any of the options would have an impact on particular sections of Scottish society?

Options 3 and 4 would remove or restrict access to an independent examination for those with objections to the development plan.

APPENDIX C – MISCELLANEOUS AMENDMENTS TO THE PLANNING SYSTEM

CONSULTATION QUESTIONS

Question 1: Are there any costs or benefits not identified in the draft BRIA?

No

Question 2: Do you have any information or can you suggest sources of relevant information on the costs and/or benefits detailed in the BRIA at Annex VI?

No

Question 3: We would appreciate your assessment of the potential equalities impact our proposals may have on different sectors of the population. A partial EQIA is attached to this consultation at Annex VII for your comment and feedback.

No comment

Question 4: Do you agree or disagree with the proposed removal of PAC requirements in relation to Section 42 Applications? Please explain why.

Agree ☐ Disagree ☒

While these changes are to be welcomed, it is considered that the problem is overstated. The very purpose of the pre-application process is to engage with stakeholders and, if need be, amend the proposal prior to submitting an application. A Proposal of Application Notice (PAN) and the associated PAC process have no limit of time. It would therefore appear that, once a PAN and PAC have been carried out, there is no inherent reason why more than one planning application can be submitted.

Question 5: Do you think the proposed changes to advertising requirements are appropriate or inappropriate?

Appropriate ☒ Inappropriate ☐

Please give reasons for your answer.

The proposed restrictions on the need to advertise would remove some advertising which adds little value to the process.

Question 6: Are there further changes to requirements or the use of advertising in planning which should be considered?

Yes ☒ No ☐

Please give reasons and evidence to support your answer.

Mindful of the geography of Argyll & Bute, the exemption could usefully be extended to cases where the neighbouring land is the foreshore, railway (especially in view of proposed consultation requirements) or canal or other tracts of land owned by public bodies such as Scottish Water or Foresty Commission Scotland.

Question 7: Do you agree or disagree with the proposed removal of the restrictions on the delegation of planning authority interest cases?

Agree ☒ Disagree ☐

If you disagree, please give your reasons.

Many ‘Council interest’ applications have been reported to PPSL Committee, most of which have been minor in nature and uncontroversial. The proposed changes would allow the authority to amend its scheme of delegation to remove the requirement for such applications to be referred to Committee for decision.

Question 8: This section proposes a change to allow an extended period for the determination of an application to be agreed upon between the applicant and appointed person where local review procedures would apply. Do you agree or disagree with this change?

Agree ☒ Disagree ☐

Please explain your view.

Comments

Question 9: Do you agree or disagree with this change to the time period on determining local reviews sought on the grounds of non-determination?

Agree ☒ Disagree ☐

Please explain your view.

The proposed amendment would introduce sensible flexibility to the applicant’s right of appeal.

Question 10. Do you agree or disagree with this change to the Appeals Regulations on procedure regarding minor additional information?

Agree ☒ Disagree ☐

Comments

Question 11: Do you think the current requirements on applications for approval of matters specified in conditions on planning permission in principle are generally excessive?

Yes ☒ No ☐

Please explain your views, citing examples as appropriate.

While details of a proposed development following the grant of planning permission in principle should rightly be subject to publicity, the procedural requirements for AMSC applications are now inconsistent with the long established procedure for dealing with details pursuant to conditions attached to full planning permissions by exchange of letters.

Question 12: Are there are any issues in this consultation not covered by a specific question or any other aspects of the current planning legislation on which you would like to comment? If so, please elaborate.

Comments

APPENDIX D – NON-DOMESTIC GENERAL PERMITTED DEVELOPMENT RIGHTS

CONSULTATION QUESTIONS

Q1. Are there any costs or benefits not identified in the draft BRIA?

There will be marginal improvement for businesses in terms of project planning / delivery should small scale development negate the requirement for planning consent. It is a fine balance whilst doing this to retain control and amenity of area and operation of other private businesses. Given minor nature and scale of most permitted development rights the impacts are likely to be negligible.

Q2. Do you have any information or can you suggest sources of relevant information on the costs and/or benefits detailed in the BRIA?

No

Q3. We would appreciate your assessment of the potential equalities impact our proposals may have on different sectors of the population. A partial EQIA is attached to this consultation at Annex 3 for your comment and feedback.

No comments to make.

<u>Part 1. Amendments to existing classes of permitted development.</u>

Q4. Should we retain class 26? If class 26 should be retained are there any changes to the controls that would strike a better balance?

Yes ☐ No ☒

Class 26 is little used and the deposit of waste is already controlled by SEPA under separate legislation. Deletion of the Class would have little impact.

Q5. With regard to the proposed amendments to existing classes;

(a) Is the granting of permission, and the restrictions and conditions, clear?

Yes ☒ No ☐

(b) Is the granting of permission, and the restrictions and conditions, reasonable?

Yes ☒ No ☐

(c) Will the controls strike the right balance between removing unnecessary planning applications and protecting amenity?

Yes ☒ No ☐

(d) Please identify and explain any changes to the controls that you think would strike a better balance?

No additional comments.

<u>Part 2. Proposed new classes of permitted development.</u>

Q6. With regard to the proposed new classes 7E and 7F;

(a) Is the granting of permission, and the restrictions and conditions, clear?

Yes ☒ No ☐

(b) Is the granting of permission, and the restrictions and conditions, reasonable?

Yes ☒ No ☐

(c) Will the controls strike the right balance between removing unnecessary planning applications and protecting amenity?

Yes ☒ No ☐

(d) Please identify and explain any changes to the controls that you think would strike a better balance?

If the requirement for planning permission and listed building consent is not simplified into a single consent, then the restrictions on PDR should include development affecting a listed building.

Q7. With regard to the proposed new classes 7A and 7B;

(a) Is the granting of permission, and the restrictions and conditions, clear?

Yes ☒ No ☐

(b) Is the granting of permission, and the restrictions and conditions, reasonable?

Yes ☒ No ☐

(c) Will the controls strike the right balance between removing unnecessary planning applications and protecting amenity?

Yes ☒ No ☐

(d) Please identify and explain any changes to the controls that you think would strike a better balance?

If the requirement for planning permission and listed building consent is not simplified into a single consent, then the restrictions on PDR should include development affecting a listed building.

An additional control should be included to explicitly preclude roller shutter doors from being added as 'alterations' under this new PDR, as the presence of shutters can have a damaging impact on the streetscene and increase the fear of crime.

Q8. With regard to the proposed new class 7C;

(a) Is the granting of permission, and the restrictions and conditions, clear?

Yes ☒ No ☐

(b) Is the granting of permission, and the restrictions and conditions, reasonable?

Yes ☒ No ☐

(c) Will the controls strike the right balance between removing unnecessary planning applications and protecting amenity?

Yes ☒ No ☐

(d) Please identify and explain any changes to the controls that you think would strike a better balance?

If the requirement for planning permission and listed building consent is not simplified into a single consent, then the restrictions on PDR should include development affecting a listed building.

Q9. With regard to the proposed new class 7D;

(a) Is the granting of permission, and the restrictions and conditions, clear?

Yes ☒ No ☐

(b) Is the granting of permission, and the restrictions and conditions, reasonable?

Yes ☒ No ☐

(c) Will the controls strike the right balance between removing unnecessary planning applications and protecting amenity?

Yes ☒ No ☐

(d) Please identify and explain any changes to the controls that you think would strike a better balance?

If the requirement for planning permission and listed building consent is not simplified into a single consent, then the restrictions on PDR should include development affecting a listed building.

Q10. With regard to the proposed new class 7H;

(a) Is the granting of permission, and the restrictions and conditions, clear?

Yes ☐ No ☒

(b) Is the granting of permission, and the restrictions and conditions, reasonable?

Yes ☒ No ☐

(c) Will the controls strike the right balance between removing unnecessary planning applications and protecting amenity?

Yes ☒ No ☐

(d) Please identify and explain any changes to the controls that you think would strike a better balance?

Clarification over what comprises a roadway is necessary, as pavement cafes will commonly be acceptable in pedestrianised areas, but many of these constitute 'roads' as defined in the Roads (Scotland) Act.

The minimum 3 metres separation from a road edge could perhaps be reduced to 2 metres to enable even greater freedom.

Q11. With regard to the proposed new class 7G;

(a) Is the granting of permission, and the restrictions and conditions, clear?

Yes ☒ No ☐

(b) Is the granting of permission, and the restrictions and conditions, reasonable?

Yes ☒ No ☐

(c) Will the controls strike the right balance between removing unnecessary planning applications and protecting amenity?

Yes ☒ No ☐

(d) Please identify and explain any changes to the controls that you think would strike a better balance?

The maximum height of a ramp could often extend above 0.3 metres without significant amenity impacts. The current limitation is perhaps too low to create a significant benefit to business and enhanced disabled access. Consideration should be given to increasing the ramp height limit.

APPENDIX E – PLANNING FEES

CONSULTATION QUESTIONS

Question 1: Are there any costs or benefits not identified in the draft BRIA?

BRIA is competent

Question 2: Do you have any information or can you suggest sources of relevant information on the costs and/or benefits detailed in the BRIA at Section C?

No

Question 3: We would appreciate your assessment of the potential equalities impact our proposals may have on different sectors of the population. A partial EQIA is attached to this consultation at Section D, for your comment and feedback.

N/A

Question 4: Do you consider that linking fees to stages within processing agreements is a good or bad idea? What should the second trigger payment be?

Bad idea.

Introducing more bureaucracy and potential dispute into process over triggers for payment. Also administrative burden of chasing payments and stalled projects when payments are not delivered on time. Could lead to 'stop – start' and disjointed process that would detract from speed and involvement of public.

If application appears to be heading for refusal or applicant falls into liquidation (common in current climate) then payments may stop and Authority be left with abortive work (unfunded) or applications that are not determined.

Current up front charge is easy to administer, provides no delays over financial bureaucracy and if funded proportionally shall fund whole lifecycle of application.

Question 5: Do you agree or disagree with the proposal that where applications are required because permitted development rights for dwellings in conservation are restricted, then a reduced fee should be payable?

Agree ☐ Disagree ☒

Disagree.
Conservation Areas have been specifically designated as the best examples of our built environment and recent changes in GPDO reflect that tight control should be enforced within them. Assessing all proposals, regardless of scale, in CAs require attention to detail and are usually resource intensive because of the special character of the area. May involve extra meetings, liaison with Conservation Officer, greater in depth

analysis, greater scrutiny and objection (particularly where there are preservation groups active).

To this extent, it is considered proportionate to charge full fee for all applications in CA even if PD elsewhere as they are usually resource intensive to determine.

Question 6: Do you agree or disagree with the proposal that there should be a separate fee for renewals of planning permission?

Agree ☒ Disagree ☐

Agree.

Renewals generally less intensive and significant material consideration shall be previous Report of Handling and history

Question 7: Do you agree or disagree that the new fee is set at an appropriate level?

Agree ☐ Disagree ☒

Finely balanced however disagree overall.

This solely relates to subsequent applications currently referred to as ‘free go’ applications.

In many scenarios Development Management Officers seek to negotiate with applicants to add value to their proposals in effort to make them acceptable in line with the Development Plan. However, in doing this a resubmission may be required as a material change must take place. At present this resubmission is free and is usually accepted. The applicant is already penalised in time to process the application so this proposed additional fiscal penalty is considered to be unhelpful. Furthermore, the majority of the assessment process should already have been completed for the first application and application is valid as the first one was. To this extent, whilst further resource is spent from the Local Authority is should not be significant.

The greatest concern is developing a culture of conflict rather than negotiation whilst determining an application. Developers are much more likely to resist Officer advice to add value and improve projects should they know the resubmission is likely to attract a new application fee.

I would endorse a 50% fee if the application is brought to determination being refused or approved then a subsequent application is submitted but not for withdrawals.

Greater emphasis on use of pre-application discussions / service should be made to ensure determining factors are identified as early as possible.

Question 8: Do you agree or disagree with the proposal that the fee should increase on an annual basis?

Agree ☒ Disagree ☐

Agree.

Shall mean fees remain realistic and greater certainty over budget forecasting.

Question 9: Is using site area the best method of calculating fees for windfarms of more than 2 turbines? If not, could you suggest an alternative? In your response please provide any evidence that supports your view.

Yes ☒ No ☐

No additional comments

Question 10: Please list any types of developments not included within the proposed categories that you consider should be.

No additional comments

Question 11: We would welcome any other views or comments you may have on the contents and provisions on the new regulations.

Section 2 of Consultation Paper– Linking Fees To Performance

Strongly agree with proposed COSLA Response that the 'yellow card, red card / sunset clause' is dropped or at least expanded for fuller understanding. The theory is that poorly performing authorities will have new higher fee thresholds removed is draconian 'stick' approach. Similar approach proved unhelpful when introduced in England (under Planning Delivery Grant Scheme) because poorly performing authorities were generally the ones who were poorly resourced. When further cuts were made to their resources the performance got even worse and became declining cycle. Ambiguity over timescales and early warning of what actually constitutes 'poor performance' at present.

Furthermore, there needs to be explicit messages from Government to Local Authority CEO's and Directors that any increases in fees are recycled and invested back into the planning service.

Advertisement and Public Notice Costs

Whilst the general increase in fees is welcomed, caution is expressed over the level of increase when the loss of public notice re-charging is factored in. In certain areas (Helensburgh for example) the cost of an advert in a local paper can be significant depending on how many adverts are placed each week. If a single advert is placed in the local Helensburgh paper then the cost is regularly above £500 – ie greater than the planning application fee at present! Some of the other newspapers in Argyll and Bute are cheaper so a average re-charge is taken throughout. So even within a single authority where multiple papers are in circulation the variations in advertisements costs causes disparities. These disparities shall result in certain Local Authorities with cheaper papers benefiting more form the increase in fees than Authorities such as ourselves where newspaper costs are generally high. This is considered to be unfair and would commend the total abolishment of newspaper adverts or replacement with online Public Information Notices (PINS) portal.

This issue with disparities between newspaper charges is compounded by our rural nature. Authorities such as Argyll and Bute must advertise more frequently than an urban authority given there are more ‘vacant land’ notifications and undeveloped areas. Again we feel that the benefits of the increased fees shall not be fully realised given our expensive papers and rural nature and shall be disadvantaged compared to other authorities.

We would seek that newspaper adverts are abolished or replacement with online PINS portal.

Certificates of Lawful Use

A Certificate of Lawful Use is a legal document that requires assessment and in most scenarios a site visit. To this extent, we feel strongly that a fee should be attached to this category of application. ABC operate a free pre-application service which includes ‘do I need planning consent’ queries so the concern that Authorities do not engage at all with customers unless in application form as outlined in the consultation document is unfounded.

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ARGYLL & BUTE COUNCIL **COUNCIL**

Development & Infrastructure **28 June 2012**

BID4Oban Business Plan

1.0 INTRODUCTION

1.1 This paper presents to the Council the Oban Business Improvement District (BID4Oban) final draft Business Plan, dated 20 June 2012.

1.2 The proposals for the Council's contribution to the final draft BID4Oban Business Plan require to have Council support prior to the formal submission of the Business Plan to Argyll & Bute Council and the Scottish Government. If the Council approves the recommendations at 2.1, and subject to their being no material changes following the Council meeting on the 28th June, BID4Oban will formally submit the BID4Oban Business Plan to Argyll & Bute Council and to the Scottish Government on 29 June. The Council must thereafter confirm its support for the BID proposal by 12 July to allow the proposed ballot of qualifying businesses to be undertaken on 21 September 2012.

1.3 This is the first BIDS Business Plan to come before the Council for consideration. As such, the experience gleaned in the development of the Business Plan should be factored into a further review of Council policy towards future BIDs proposals; to provide a clear policy framework which will inform and define the extent of any future Council support (staff, financial or other) towards any subsequent BIDs proposals within Argyll & Bute.

2.0 RECOMMENDATIONS

2.1 That the Council endorses the Council's commitment to the Oban BID contained within final draft BID4Oban Business Plan and agrees that, subject to a successful ballot, over the 5 year duration of the Business Plan it will:

2.1.1 Provide a direct financial contribution of £15K per annum to the BID4Oban, equivalent to 10% of the annual levy of c. £150K, and;

2.1.2 To provide £5K per annum of additional financial support to finance the cost of administering the annual levy collection, and;

2.1.3 To provide £4.5K per annum in terms of the Council's contribution (based upon its property holdings) to the annual levy of c. £150K.

2.2 A supplementary estimate is approved for the cost for the BID period in 2012/13 estimated at £12,250.

2.3 Provision is made in the 2013/14 budget for the remaining annual costs of £24,500.

2.4 That the Executive Director for Development & Infrastructure be mandated to accept the formal submission of the BID4Oban Business Plan on 29 June, and to confirm the Council's support for the BID4Oban Business Plan to BIDs Scotland thereafter.

2.5 That the Executive Directors for Development & Infrastructure and Customer Services bring forward future policy proposals for consideration by the Council, which will formalise and provide a clear policy framework which will inform and define the extent of any future Council support (staff, financial or other) towards any subsequent BIDs proposals within Argyll & Bute.

3.0 OBAN BIDS BUSINESS PLAN

3.1 The final draft BID4Oban Business Plan is attached at Appendix 1. The final draft Business Plan represents the Oban business community's proposals for the most effective utilisation of the BIDs levy to support economic revitalisation within Oban. Officers from within Development & Infrastructure, Customer Services and Strategic Finance have supported the development of the Business Plans in terms of the provision of information and advice.

4.0 APPENDIX

Appendix 1	BID4 Oban final draft Business Plan – dated 20 June 2012

5.0 IMPLICATIONS

Financial	The additional cost of supporting the BID4Oban proposal, as per Recommendations, will be built into the Budget Process for 2013/14 onwards. Subject to the outcome of the ballot, and the date of commencement, the proportionate cost to the Council in 2012/13 with regard to the commitments at 2.1.1 & 2.1.2 will be met by way of a Supplementary Estimate
Policy	As per Recommendations
Personnel	As per Recommendations
Legal	As defined within the final draft Business Plan
Equal Opportunities	None

Sandy Mactaggart
Executive Director
Development & Infrastructure

28 June 2012

20 June 2012

BID4OBAN

BUSINESS IMPROVEMENT DISTRICT
BUSINESS PLAN

31 October 2012 – 30 October 2017

Your chance to give your town a brighter future

ALL CONTENTS SUBJECT TO A&B COUNCIL CONSIDERATION AND DECISION ON 28 JUNE 2012

20 June 2012

CONTENTS

ALL CONTENTS SUBJECT TO A&B COUNCIL CONSIDERATION AND DECISION ON 28 JUNE 2012

20 June 2012

A message from the Chairman

I am delighted to introduce the Business Plan for Oban's proposed Business Improvement District (BID).

Our consultation with business proprietors and property owners revealed a number of priorities for action, detailed in this Plan, that you have indicated would make a real difference to your trading environment. Whether you are a retailer serving local customers ,a hospitality provider serving the tourism market, or operate in the service and trade sectors supporting the provision of goods and services, these priorities represent an opportunity to act collectively, enhance business profitability and attract further investment for our town.

It will also offer a unique opportunity for business to take a lead in building a more prosperous future for our town,creating a working partnership with public agencies.

I am convinced that this Business Plan represents an extremely valuable investment into the whole town's trading environment. It presents an opportunity for collaboration between all Oban businesses, giving us a collective voice which is able to influence future policy affecting our area and improve our business opportunities.

If everyone works together this can be achieved and Oban can look forward to creating a more vibrant economy and an attractive location for business to the benefit of locals and visitors alike.

I urge you therefore to carefully consider this Business Plan and ensure that your company votes 'Yes' to the Oban BID. Oban is a great place to live, to work and to visit – let's secure our town's future together.

Graham MacQueen M.B.E., D.L.
Chairman
BID4Oban Steering Group

THE AIMS AND OBJECTIVES OF THE OBAN BID

Our aim (what we want to achieve):

The Oban BID will aim to deliver a range of projects and services which will boost the local economy through increasing the footfall of shoppers and visitors, benefit all business levy payers and improve the physical environment for all those who visit, live and work in the town.

Our objectives (how we will achieve it):

- To make the best *first impression* possible to visitors and shoppers to the town by helping provide a more attractive environment

- To co-ordinate a managed programme of events and festivals throughout the year, including supporting existing events through marketing and fundraising

- To increase the number of new events in the town which will extend the season

- To maximise our assets and attract more shoppers and visitors to stay, explore and spend in the town

- To bring businesses together to help reduce business costs and act as an effective business lobbying body for the benefit of the town's future prosperity

- To improve accessibility and parking within the town for visitors by car or on foot.

The vision of BID4Oban is to create a vibrant and vital town centre, with a supportive and involved business community.

WHAT EXACTLY IS A BID?

A business improvement district is about businesses working together and investing collectively in local improvements in addition to those delivered by the statutory authorities, over an agreed period of time (normally 5 years). Stronger together than working alone.

A business improvement district (BID) is usually a partnership arrangement through which the local business community and the statutory authorities take forward projects that will benefit the local businesses and grow the local economy.

A BID is not a substitute for central or local government expenditure, but an additional investment to strengthen the local economy.

BIDs are developed, managed and paid for by the private sector by means of a compulsory levy, which the businesses within the proposed BID area must vote in favour of before the BID can be established. *The ballot for the Oban BID will be open for 42 days from the 10 August to the 21 September, the ballot day* (**NOTE: to be confirmed**). Each business liable to contribute to the BID will be able to vote on whether or not the BID goes ahead.

The history of the BID movement

BIDs first started in Canada over 41 years ago in a small town called Bloor West Village near Toronto. Businesses were struggling to cope with competition from a new out-of-town shopping centre, which resulted in many business insolvencies, empty shops and a neglected looking town centre. Businesses got together and devised a plan to revitalise the town and successfully lobbied for legislation for all businesses in the proposed BID area to pay a levy. The investment levy was used to make physical improvements to the appearance of the town centre and to promote the town centre. The strategy paid off and the model has successfully been copied to create BID areas throughout the world.

Over the past few years, the popularity of BIDs in the world has grown at a phenomenal rate. There are now 130 established BIDs in the UK, 11 in Scotland (Bathgate, Alloa, Inverness, Edinburgh, Dunfermline, Kirkcaldy, Elgin, Falkirk, Clarkston and Clackmannanshire Business Parks) with at least another 21 in the pipeline. Several BIDs are now going through the renewal process, with Falkirk most recently winning a resounding ‘yes’ vote for a second term, gaining a larger majority than it received the first time. This proves that BIDs really do work (particularly through a recession) as a tool for providing the trading environment which businesses want for themselves, their staff, customers and clients.

A BID can only proceed if:

- A minimum of 25% of businesses in the BID area vote in the ballot.
- Over 50% of those that vote must vote in favour of a BID.
- Those that vote in favour represent over 50% of the total rateable value of the votes cast.

WHY DOES OBAN NEED A BID?

If we do nothing then we will continue to decline!

Oban has recently been promoted as the **Capital of the West Highlands and Islands**. Our research has shown that local businesses recognise Oban's key assets as a hub for both tourism and business activity, with its transport links to and from the isles and stunning scenic surroundings and environmental assets.

Oban's potential as a tourism and shopping destination is currently overshadowed by:

- The pull of other competitor tourism destinations and from major cities/retail outlets.

- The impact of the recession on profitability is: the proportion of businesses who feel that Oban is a good place to do business has decreased from 83% five years ago to 53% now.

- The seasonality of tourism and a not enough events/festivals to attract visitors throughout the year

  Research also suggests that:
- Oban has insufficient tourism attractions and that businesses are worried at the number of empty shop units and general untidy appearance of some areas of the town.
- Lack of car parking and on-street parking management is a key issue for local businesses and consumers alike

Recent comments posted on online site 'Trip advisor' demonstrate the challenge we face:

"*In its favour the location right on the harbour is spot on although the whole of Oban is pretty run down these days and has certainly gone downhill in the 20 years since I was last there. Shame really, it used to be such a great place*".

"*Unfortunately Oban is suffering the recession it seems and some parts rather run down*".

The town has only one opportunity to make the best first impression possible – we don't want to lose visitors and customers because our town 'looks tired'. The BID is your vehicle to reverse that decline and make change happen - to do nothing is not an option!.

WHAT BENEFITS WOULD A BID OFFER?

- **A more attractive town**
- **Increased events and activities year-round**
- **Co-ordination of what's happening around the town**
- **More marketing and greater footfall**
- **Better access**
- **Drawing in more funding for the town**
- **An improved reputation!**

A BID would support Oban to maximise its key assets and improve its tourism and retail offer – on which our local economy is dependent - in a sustained, pro-active way. Although much of BID project activity would focus on the town centre, **all businesses sectors and trades** in the town would benefit from the projects and services that the BID would deliver through supporting a sustainable economic future for all.

As a Business Improvement District we will be a:

- "One Stop Shop" for all sectors of our business community covering Retail, Support services, Hospitality, Leisure.
- Credible self-funding organisation that represents the business community of Oban.
- Strong voice under one umbrella.

If Oban businesses do not vote in favour of a BID to make the improvements identified by its users, then we will find that:

- Shoppers and visitors may vote with their feet (and their cars) and go elsewhere
- More businessess may disappear
- There is no incentive to locate to and do business in Oban
- No one is promoting a united Oban for business
- There will be fewer opportunities for our children
- The town will look shabby
- There will be an increasing lack of civic pride.

20 June 2012

THE BID AREA AND THE BID MAP

The proposed BID area is the entire town falling within the 30 mph speed limits. This starts at the entrance to the top of the town on A85 at the Bealach an Righ, to Ganavan along Esplanade, along Gallanach Road just past Glenmore Road, along Glencruitten Road past the golf course, along Glenshellach Road near the police houses, to the A816 exit to Lochgilphead on Soroba Road.

	Oban Street Names
	Ardconnel Road
	Creag An Airm
	Shore Street
	Glenshellach Terrace
	Drimvargie Road
	Dunuaran Road
	Glenshellach Road
	Glenmore Road
	Tower View
	Crannaig-a-Mhinister
	Pulpit Rock
	Villa Road
	Sinclair Drive
	Quarry Road
	Miller Road
	Glencruitten Drive
	Angus Terrace
	Knipoch Place
	Dalintart Drive
	Mossfield Avenue
	Mossfield Drive
	Polvinster Road
	Drummore Road (part)
	Corran Brae
	Bayview Road
	Lismore Crescent
	Castle Road
	Lorn Avenue
	Iona Drive
	Laggan Road
	Cruachan Crescent
	Kerrera Terrace
	Ulva Road
	Islay Road
	Jura Road
	Mull Terrace
	Shuna Terrace
	Scarba Terrace
	Lochavullin Drive
	Crannog Lane
	Lynn Court
	Millpark Road
	Millpark Avenue
	Millpark Place
	Lynn Gardens
	Burnside Place
	Scalpay Terrace
	Colonsay Terrace
	Lunga Road
	Grianach Gardens
	McCaig Road
	Lonan Drive
	Aray Gardens
	Orchy Gardens
	Nant Drive

20 June 2012

<table>
<tr>
<td>
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<td>Creran Gardens</td>
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<tr>
<td>Oban street names (contd)
Ure Gardens
Coe Gardens
Etive Gardens
Feochan Gardens
Lawe Road
Nelson Road
Campbell Crescent</td>
<td>Gibralter Street
Market Street
Lochside Street
Star Brae
Lochavullin Road
Soroba Lane
High Street
Campbell Street
Station Road and Queen's Park</td>
</tr>
</table>

Glencruitten Road	Place
Albany Street	Soroba Hill Road
Gallanach Road	Lynn Road
Alexandra Road	Mill Lane. Lochavullin
Corran Esplanade	Glencruitten Court
Ganavan Road	Glengallan Road
Rowan Road	The Greens, Glencruitten
Deanery Brae	Pulpit Drive
Croft Road	Pulpit Road
Croft Avenue	Glenshellach Business Park Roads
Longsdale Crescent	Taylor's Brae
Longsdale Terrace	Jacob's Ladder
Hazeldean Crescent	School Brae
Longsdale Road	Ben Cruachan View
Dalriach Road	Haggarts Brae (Footpath)
Dalriach Park Terrace	Glengallan Drive
Benvoullin Road	Balvicar Road
Duncraggan Road	Craighouse Avenue
Laurel Road	Soroba Road
Laurel Crescent	Combie Street
Rockfield Road	Argyll Square
Ardconnel Terrace	Morvern Hill
Hill Street	Glenshellach Industrial Estate Road
Tweeddale Street	Glenshellach Buisness Park
Stevenson Street	Footpath
Argyll Street	Glencruitten Rise
Stafford Street	Creag Bhan Village No's 1-28
Craigard Road	Creag Bhan Village No's 29-60
Albert Road	Skerryvore Gardens
John Street	Hyskeir Gardens
Nursery Lane	Hynish Crescent
Albert Lane	Benvoullin Gardens
Park Hotel Lane	McCall Terrace
Breadalbane Street	Corelli Court
Breadalbane Lane	Davaar Gardens
William Street	Fladda Road
North Pier	Polvinster Gardens
Airds Crescent	Rhuvaal Road

WHO WILL PAY THE LEVY AND HOW MUCH WILL IT COST?

A BID Improvement Levy is an equitable and fair way of funding additional projects and services which the local authority are not required to provide. Improving your trading environment could be made possible through a successful BID generating c £148,000 per annum for business improvements.

- Improvement Levy payments will be made by those liable to pay non-domestic rates with a rateable valuation of £3,000 or above and will be made by the occupiers (as the eligible persons) only, with the exception of vacant premises when the property owner will be liable for the Levy payment.

- The Improvement Levy is not linked to what businesses actually pay in rates but are based on the rateable value of the property.

The following table shows the modest cost which your business would have to pay and would be based on the SSA Valuation Roll rateable valuation of your property on the ballot date.

RV range	Annual levy per business	Cost per week
£3,000 - £8,399	£150	£2.90
£8,400 - £13,399	£250	£4.23
£13,400 -£39,999	£380	£7.30
£40,000 - £65,999	£530	£10.20
£66,000 - £99,999	£890	£17.12
£100,000 - £179,999	£1030	£19.80
£180,000 - £499,000	£2300	£44.23
£500,00+	£5000	£96.15

The table has been developed based on calculating the average median value for all rateable properties in the area which is £9,900: we believe that £250 per year is a reasonable and affordable Levy charge for the 'average' business but have acknowledged that very low rateable values should pay below this rate. Broad 'uplifts' for bandings above this level have then been set to reflect the size of the business and have allowed for all multiple retailers to be included as levy payers.

- The Levy must be paid in one payment for accounts of £150 per annum. Accounts over £150 per annum can be paid in one payment or in 10 instalments by direct debit. Payment must be made within 28 days from the date the levy invoice is issued.
- The BID Board will decide whether or not to index-link (CPI) the Levy payment to take into account inflation but for calculation purposes in this business plan no increase has been allowed.
- If there is a change or several changes in the occupier of the property within the BID area, no rebate of under £150 will be given to any outgoing occupier since this would be uneconomic to administer. The property owner will then be responsible for paying the Levy until a new occupier is found.
- Any new commercial development or new business with a rateable valuation coming into the BID area during the 5-year term of the BID will be liable for the Investment Levy.
- If a property is empty on the date the Levy is issued, the property owner will be liable for the full Levy amount, which must be paid within 28 days.
- As charity shops and charitable hospitality providers will benefit from the BID in the same way as other retail/accommodation outlets, there will be no exemption from paying the Levy.
- Council and government agencies will also pay the Levy.
- The only exceptions will be places of worship, non-retail charities and not-for-profit community organisations, educational and social care establishments, NHS and other emergency services.

WHO WILL COLLECT THE LEVY?

Argyll and Bute Council will be appointed to issue businesses in the BID area with a separate levy invoice under the heading Business Improvement District Levy. All income collected under the 'BID levy' will be kept in a separate BID Revenue Account and passed to the BID Company to be used only for BID projects and services. The BID levy **cannot be used as an additional source of revenue for the Council.**

Any non-payment of the BID Investment Levy will be strongly pursued and statutory powers will be enforced to ensure fairness to those businesses that have paid the Levy.

MAKING SURE THE BID ADDS VALUE

To ensure that all projects and services delivered by BID monies are additional to those delivered by Argyll & Bute Council, Strathclyde Police and Transport Scotland, there will be a Service Level Agreement between the BID and these bodies.

A Service Level Agreement is a baseline of information which details what the Council, the Police and Transport Scotland (which is responsible for the A85 trunk road running through the town) currently deliver. It also gives an assurance to the levy payers that the current statutory level of service to the BID area will not be reduced after a successful ballot.

The services already provided by Argyll & Bute Council:

- Street Furniture: benches, finger posts (directional signage), bins, bollards
- Planting and Grounds maintenance: seasonal planting, maintenance of grassed areas and ground maintenance plots
- Waste removal: charged trade waste collection and disposal service
- Street Lighting: installation, management and maintenance
- Road & pavements maintenance: repairs and including winter road and footpath maintenance
- Car Parks: Council operated off-street car parking
- Christmas: erection of Christmas decorations/lighting
- Public conveniences
- Piers maintenance: maintenance of North Pier, Oban Times slip and Port beag.

Services already provided by Transport Scotland (currently delivered through Transerv, with new contract currently been tendered, to be awarded in September 2012).

ALL relating to trunk road:

- street lighting on trunk road
- road and pavements maintenance on trunk road
- winter maintenance of trunk road
- grass cutting and weed control at side of trunk road
- gully cleaning to ensure free flow of storm water

The services already provided by Strathclyde Police

- provision of dedicated town centre officers at peak times, to address particular issues or to cover specific events
- increasing town centre foot patrols over the busy festive period to ensure that crimes in Oban are prevented
- provision of the Shopwatch scheme to assist with early identification and alert of possible shoplifters and
- working closely with licensed premises to ensure that the town centre is a safe place to be at night.

The number of officers on duty at any time, varies dependent on recognised demands and initiatives but targeted action will always be taken to impact on the policing priorities identified by the community, including the BID, to ensure that officers are in the right place at the right time.

THE BID BALLOT PROCESS

- The BID ballot is a confidential postal ballot commissioned by the Returning Officer of Argyll & Bute Council on behalf of the Oban BID and in accordance with Scottish BID legislation.

- Prior to the ballot taking place, a 'Notice of Ballot' will be issued to all businesses in the BID area.

- Voting papers will be issued to every eligible business located in the BID area and addressed to the person responsible for casting a vote for that business.

- Voting papers will be issued from Friday 10 August 2012 (tbc)

- The final date for all ballot papers to be returned is 5pm Friday 21 September 2012.

- Voting papers are easy to complete, simply place a cross on either 'yes' or 'no' to the question 'Are you in favour of a BID?'. The ballot paper must be signed by the person eligible to vote and returned in the pre-paid envelope.

- For the ballot to be successful, there must be a minimum of 25% 'turnout' by number of businesses **and** by combined rateable value.

- Of those that vote, over 50% by number and 50% by combined rateable value must vote in favour of the BID.

- All eligible voters (i.e. those persons liable to pay non-domestic rates) will have one vote or where an eligible voter has more than one business premises (rateable subject), that individual shall be eligible to cast more than one vote and will also be required to pay the levy for each of the properties that they occupy. Where the property is vacant (i.e. with no tenant in place) then the property owner will receive the ballot paper as the eligible person.

- The ballot papers will be counted on Monday 24 September 2012 (tbc) and the results announced within one week.

- If the ballot is successful, the BID will commence on 31 October 2012 and will run for a period of five years until the 30 October 2017 (tbc)

WE ASKED YOUR OPINION

Throughout September to December 2011 businesses within the BID area were visited or mailed and asked to complete a Business Questionnaire. The purpose of the questionnaire was to consult with you, the business community and find out what you like and dislike about doing business in Oban. Businesses were also asked about the impact they would like to see a BID have and which aspects of Oban they would most like to see improved in the next 5 years.

Businesses were also invited to give an indication of whether they would support the BID, in principle. Of those who responded **46% indicated that in principle they would be in favour of a BID,** whilst 51% either didn't answer or were undecided and wanted to see the Business Plan before making a decision. **Only 3%** stated that they would vote against a BID.

YOU TOLD US!

46% of town businesses responded to our questionnaire, which was independently analysed by *IBP Strategy & Research*. Businesses also gave us additional feedback through the many one-to-one business visits undertaken and through our open business meetings.

Our consultation found that whilst businesses are generally happy with safety in the town and think that the town centre is well lit, that shops and buildings are generally well presented and that there are enough police patrols, you were less happy about the state of roads and pavements, lack of car parking, the number of events to attract visitors throughout the year and the number of available tourism attractions in the town.

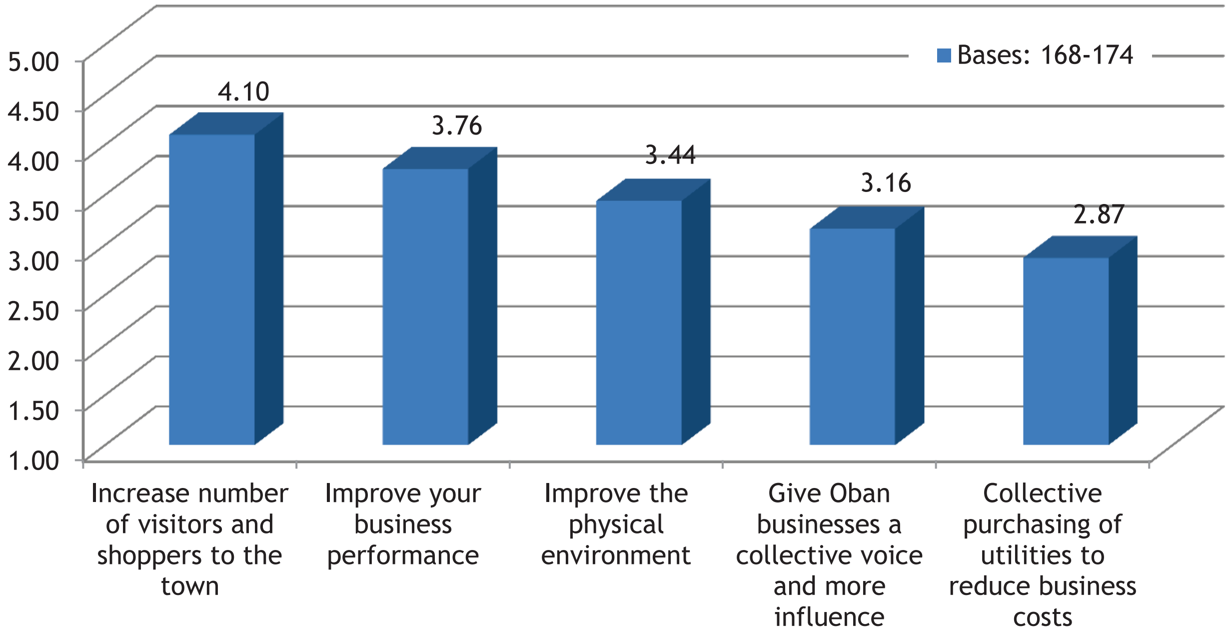
Strengths and Weaknesses
Businesses resoundingly recognised that the main strengths of doing business in Oban are the town's location as a hub for the West Highlands and islands, its scenic surroundings and its role as a tourism destination. The town's weaknesses are seen as:

- lack of parking/cost of charges
- traffic congestion/access to the town

- Being dependent on seasonal business
- Cost of living/high rent & rates/ rural fuel costs.

What should a BID focus on?

We asked you what impact you would like a BID to have, with businesses giving a rating from 1 to 5 in terms of importance (5 being most important). The table below shows the average score for each impact, showing the highest rating for **increasing the number of visitors and shoppers to the town,** followed by improving individual **business performance** and improving the **ambiance (physical environment) of the town**.

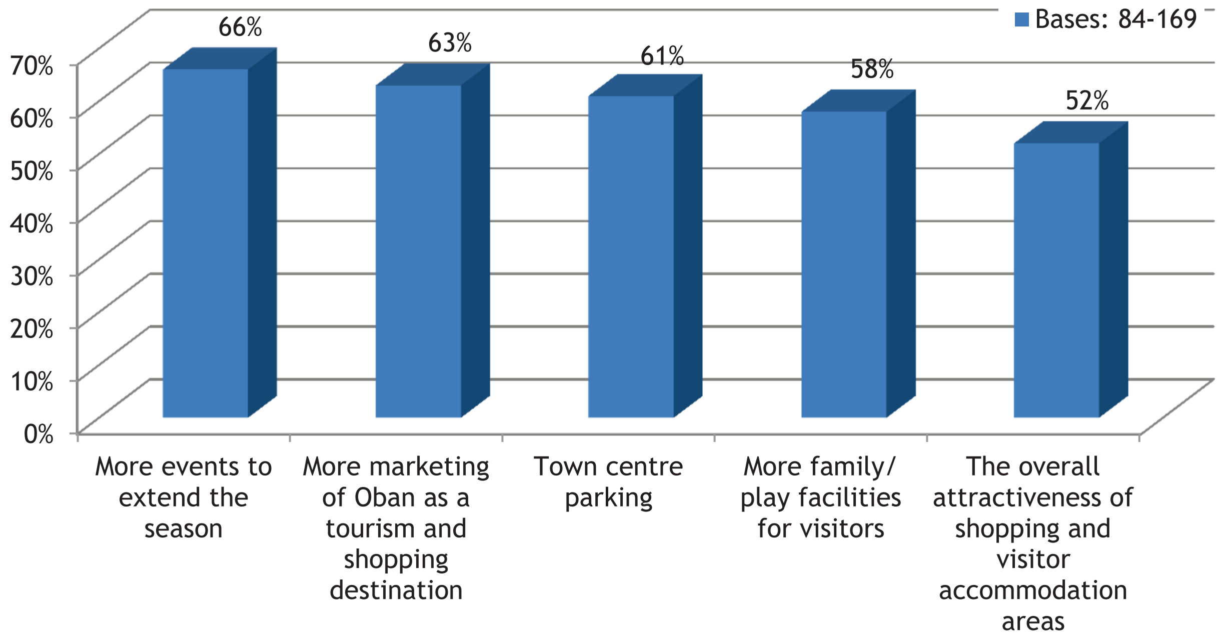


What a BID should do

Three clear priorities emerged from the consultation (as seen in the table below):

- Address seasonality with more events to extend the season throughout the shoulder months (66% of businesses ranked this as a 4 or 5 (5 being most important). One-to-one consultation with businesses also provided a clear message that there was a role for greater co-ordination and support for the many events and initiatives already happening in the town, such as 2011's first Winter Festival with the BID acting as a facilitator and co-ordinator.
- Increase footfall through more marketing of Oban as both tourism and shopper destination (63%) which will continue to strengthen and support the strong work of the existing Oban and Lorn Tourism Association
- Improve town centre parking (61%) through lobbying and working with the local authority.

Businesses also supported the provision of more family/play oriented facilities (and activities) for visitors, and wanted to improve the overall attractiveness of the town centre 52%).



When viewed alongside the results of several customer and visitor surveys carried out over the last 2 years, a clear picture begins to emerge of the priorities for Oban's proposed BID. These have been developed into a set of clear objectives and projects which are found on pages 17-22 of this plan.

WHAT OUR CUSTOMERS/POTENTIAL CUSTOMERS THINK

More events

A number of Oban-focused surveys have been carried out in the past few years which provide a clear indication of both what potential customers are looking for in a tourist destination and what actual visitors and consumers resident in the area think about the town. Two surveys were commissioned by Oban & Lorn Tourism Association in 2009 and 2011 showed the importance of events tourism to the local economy with **77% of those surveyed** stating that they would be willing to visit the Oban area if there were more festivals, activities and events available. The research made several recommendations which OLTA have implemented, but significant among these is that the town should:

- Create a more diversified product of activities and outdoor oriented events
- Develop and implement an events and activities programme for all ages.

What visitors think about Oban

An in-street visitor survey commissioned by the Council in 2010 found that the majority of visitors to the town are short-stay visitors (2-4 nights) who visit to shop (38%), catch a ferry (31%) or eat (27%). The survey results have much in common with our own business consultation in terms of what visitors like and dislike about the town: visitors most value Oban's scenery, friendly town atmosphere and harbour area. Visitors most disliked:

- the difficulty in finding parking spaces
- lack of signposting – especially to McCaig's Tower
- too many empty shops
- litter
- apparent lack of public toilets.

The Council also commissioned a postal survey of local area residents which showed that they would visit more if there were better/more variety of shops (23%); 58% disagreed that there is a good quality and variety of shops.

A majority of those surveyed did not find it easy to park in the town centre (68%) and 62% did not agree that the appearance of buildings and street furniture is good (although 64% agree that public spaces are good).

Adverse comments were also made about the number of empty shop units, lack of visitor facilities and maintenance and cleanliness of key seafront areas. These themes have also been reported in the recent (2012) Community Council survey carried out throughout the town.

Again, all of these themes compliment the results of our own business questionnaire survey. Having reviewed all the research conducted about our town the Steering Group has developed 6 key objectives and a series of costed projects based on what you and our potential customers have told us.

OUR OBJECTIVES: A FIVE YEAR PLAN

Based on the feedback provided by the businesses and consumer surveys carried out in Oban, the following themed objectives have been approved by the BID Steering Group:

Objective 1: Making the best first impression

To make the best first impression possible to visitors and shoppers to the town by helping provide a more attractive environment

Project	Cost met from BID Levy	Timing	Measurement	Benefit to levy payer
Welcome features to town at A85 & A816 entrances	£10 000	2013	No. of completed features.	Maximum positive impact of Oban as a tourism destination
Floral enhancements: 200 baskets plus free standing displays for wider town centre area	£15 000	2013-2017	No. of displays; all key retail areas of town are included in project.	'Whole town' solution, not just George Street; improved visitor experience& enhanced customer loyalty
Annual Big Tidy (by zone) *Additional £1k equivalent contribution from Council*	£1 000	2013-2017	Amount of litter collected.	Business involvement through volunteer taskforce; cleaner more attractive environment.
Power washing of pavements *(Council will deliver to £5k equivalent)*	£0	2013-2017	Cleanliness of pavements.	Cleaner, more attractive environment for customers & workers.
Decorative street lighting (inc. new posts) from North Pier to War memorial	£40 000	2013 - 2017	Decorative lighting in place	Improved presentation of town's key asset – esplanade – for visitors & locals – encourage repeat visits & sense of pride in town.
Christmas Lights – replacement for 2013 & extension to Combie & High Streets AND Top of town Christmas tree & decorations	£40 000	2012-2016	Lighting installed; area lit extended.	Investment in lighting that flexible to be used all year round. Improve attractiveness of town centre for key events. Equipment 'library' for use by other events/ businesses.
Painting of railings North Pier & War Memorial *(Council will deliver to £25k equivalent)*	£0 000	2014 – 2017	Total area of railings painted/repaired	Improved presentation of key asset, from the sea, Pulpit viewpoint & McCaigs Tower as well as from Oban town itself
Business Frontage scheme: for businesses established for 3 years or more, maximum 50% of costs capped at £1k per site.	£60 000	2013-2017	Total number of businesses receiving grant	Properties improved at reduced cost to owner; improved presentation of town businesses; enhance visitor/consumer experience.
Empty Shop Fund; dressing of empty shops with pop up screens; keeping windows clean	£14 000	2013-2017	Number of 'dressed' empty units	Improved visual appearance of town centre and key events/areas of interest promoted on screens.
Black Lynn Burn Regeneration: making a	£10 000	2014 - 2017	Length of burn cleaned up and	Improved presentation of town; enhance retail/visitor

feature of river through town (*Council will deliver works to equivalent of additional £20k*).			regenerated	experience & encourage footfall through whole of town.

Making the best first impression = £190, 000

In addition:

- **Argyll & Bute Council will deliver projects to equivalent value of £51,000 during lifetime of BID.**

- The BID will co-ordinate its improvement activities with the work of the Council through CHORD and other Council led initiatives, and in conjunction with Transport Scotland where appropriate, to maximise the benefit that future projects will contribute, on a complementary basis, towards town centre regeneration and improvement. Future Council led project options may include decorative street lighting for the harbour area alongside with other harbour/bay area improvements.

- The BID will work with SNH, SEPA and Argyll Fisheries Trust and other agencies on Black Lynn regeneration and seek to draw in additional funds for this project.

- The BID will work with the Council to explore commercially viable solutions for the future of the **Harbour Bowl site** on Shore Street, with the aim of improving the appearance of the town centre and providing an attractive recreational area in the town centre

Objective 2: Let's shout about what's happening in Oban!

To co-ordinate a managed programme of events and festivals throughout the year, including supporting existing events through marketing and fundraising support.

Project	**Cost met from BID Levy**	**Timing**	**Measurement**	**Benefit to levy payer**
Oban Events Manager & fundraiser	£87,500	2012 -2017	Commercial town diary launched; increase in number of events posted; new of new events/ initiatives supported by manager; additional funding accessed	Increased footfall in Oban, increased number & effective promotion of activities to encourage repeat visits
Town Centre ambassadors x 2 (seasonal) to welcome & direct visitors to town	£75 000	2013 -2017	No. hours worked by seasonal ambassadors; Number of visitors assisted.	Enhance welcome to town and improve visitor experience to encourage increased footfall.
New events grants budget (in season)	£50 000	2013-2017	Number of organisations/individuals assisted; Number attending events.	Increase footfall into Oban; provide increased no. of activities for visitors.
Town Diary (self - funded after initial set	£0 sponsored	2013-2017	Number of events posted; number of businesses	Improved communication &

up costs of £4,000 to expand and commercialise – recoverable over 4 years)	by local businesses		utilising for advertising.	provide co-ordination: Central point of reference for events in town.

Let's shout about it = £212,500

Objective 3: Extend the season!

To increase the number of new festivals and events in low to mid-season periods that will increase visitors to the town throughout the year.

Project	Cost met from BID levy	Timing	Measurement	Benefit to levy payer
New events/ festivals budget for Out of Season; drawing in additional Events Scotland funding	£90 000	£2013-2017	Number of new events funded out of season.	Increase footfall & spend at low season periods; more attractions in Oban; Oban an all year round destination

Extend the season = £90 000

In addition:

- The BID will work with Argyll & Isles Strategic Tourism Partnership and Oban & Lorn Tourism Association to ensure that the funded programme of events fits wider local strategy & priorities.
- The BID company will act as a facilitator to source funding and get new events up and running, complementing the invaluable support already offered by other agencies such as Argyll Voluntary Action and the Council.

Objective 4: Making Oban the place to stay, explore and spend

To maximise our assets and attract more shoppers and visitors to stay, explore and spend in the town

Project	Cost to BID	Timing	Measurement	Benefit to levy payer
'Love Oban' Gift voucher & promotional voucher booklets – tie in with cruise liner/bus tours	£24 500	2013-2017	No. of participating businesses; gift vouchers purchased; number of vouchers redeemed	Encourage local spend and customer loyalty in 'Oban' brand.
Town piper contract (seasonal)	£17 500	2013 - 2017	No. of hours worked and key points in town benefiting.	Support street ambassadors in welcoming visitors (at ferry, cruise liners, from train etc.)

				Improve visitor / consumer experience.
Marketing grant: advertising & promotions focused on family oriented & water-based outdoor activities *	£50 000	2013 - 2017	Number & quality of campaigns supported by grant	Increased awareness of Oban as a tourism destination for families and water/marine based activities; increase footfall & potential customer spend.

Making Oban the place to stay, explore & spend = £92,000

In addition:

- The BID Company will work with *Oban & Lorn Tourism Association* (OLTA) to deliver on this objective, particularly in benefiting from the marketing grant scheme which will strengthen OLTA's existing successful activity in promoting the town & potentially draw in further funding for the town through Visit Scotland's Growth Fund.
- * The BID will develop a constructive partnership with the proposed *West of Scotland Watersports Hub* to market water-based activities, whilst also supporting Stramash's proposed Coastal Communities Project.
- The BID will work with other local initiatives to improve family oriented/play facilities such as *Oban Community Playpark*.

Objective 5: Working together for a more prosperous future

To bring businesses together to help reduce business costs and act as an effective business lobbying body for the benefit of the town's future prosperity.

Project	Cost to BID	Timing	Measurement	Benefit to levy payer
Create an Oban Business Forum, working with the Oban Chamber of Commerce to act as umbrella for all business sector interests	£0	2013-2017	Number of open business forums	Improved networking opportunities; collective & unified business voice on key town issues
Joint procurement of utilities (offered through BIDs Scotland), particularly focused on independent small businesses.	£5,000	2013-2017	Number of businesses taking up the offers; reduced bills for levy payers	Direct cost savings to businesses which in some instances will cover the cost of the BID levy.

In addition:

- The BID Company will specifically lobby for improved & co-ordinated transport services to and from Oban, using the strength of its 'umbrella' status for all local businesses and working with the Council and Hi-trans on shared objectives

Objective 6: Making our town easier to visit

To improve accessibility and parking within the town for visitors by car or on foot.

Project	Cost to BID	Timing	Measurement	Benefit to levy payer
Develop multi-functional street wardens (alongside ambassadors) to manage on-street parking/street scene issues in town centre.	£0 Self-funded	2014 - 2017	Street wardens 'pay' for themselves through parking income;	Turnover of customers parking in town increases through 'policing' by wardens; Businesses have direct contact point for resolving street scene issues
Improve town signage into town centre & towards key attractions /facilities to complement CHORD improvements *(£30k equivalent funding to be met by Council)*	£0	2014-2017	Number of new signposts installed	Maximise assets & existing visitor attractions and encourage footfall to town centre.

Making our town easier to visit = £0

The development of multi-function street wardens should be seen in the context of the Council's overall review of parking and decriminalisation of parking offences.

A town signage strategy will also be developed in partnership with the Council to ensure consistency and high quality visitor experience.

In addition the Council will contribute through its CHORD programme:

- Development of a long stay parking solution for the town
- Improved town signage around the transport interchange, improvements in accessibility and taxi ranks and improvements to bus shelters.

BID BUDGET INCOME

Income	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Income from BID Levy	£148 000	£148 000	£148 000	£148 000	£148 000	£740 000
Argyll & Bute Council ***proposed*** contribution	£20 000	£20 000	£20 000	£20 000	£20 000	£100 000
Income total	**£168 000**	**£168 000**	**£168 000**	**£168 000**	**£168 000**	**£840 000**

BID Company income over 5 years = EIGHT HUNDRED AND FORTY THOUSAND POUNDS

These figures do not reflect any **additional income/sponsorship** that the BID will rigorously seek to source from other funding bodies (for example, Events Scotland, Visitscotland, European and lottery funding).

In addition to the financial contribution towards project costs, Argyll & Bute Council will also contribute a total of **£81,000** in-kind project support over the 5 year period, as well as its own £4,500 annual contribution as a BID Levy payer. **In total the Council will be committing £203,500 in kind and cash contributions to the BID's delivery over a 5 year period.**

BID BUDGET EXPENDITURE

Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Making best first impression	£46 000	£42 000	£41 500	£37 000	£23 500	£190 000
Let's Shout about it	£42 500	£42 500	£42 500	£42 500	£42 500	£212 500
Extend the season!	£10 000	£20 000	£20 000	£20 000	£20 000	£90 000
Oban the place to visit, explore & spend	£18 500	£18 500	£18 500	£18 500	£18 000	£92 000
Working together	£1 000	£1 000	£1 000	£ 1000	£1000	£5 000
Easier to visit	£0	£0	£0	£0	£0	£0
BID Manager & Admin support (both part time)	£32 500	£32 500	£32 500	£32 500	£32 500	£162 500
Operational costs inc. charge for admin. of Levy & renewal ballot 2017	£12 500	£12 000	£12 000	£12 000	£14 500	£63 000
Contingency	£5 000	£5 000	£5 000	£5 000	£5 000	£25 000
TOTAL	**£168 000**	**£173 500**	**£173 000**	**£168 500**	**£157 000**	**£840 000**

GOVERNANCE OF THE BID

The BID Company structure

Since 2010, the proposed BID has been developed under the direction of the BID4Oban Steering Group. If the BID ballot is successful, it is proposed that a ***company limited by guarantee*** is formed. The Steering Group will act as a *shadow board for the first three months* following a successful ballot, to ensure continuity and minimise delay in implementing the Business Plan.

The new board of directors will comprise of a **maximum of 12 directors** and include a chair, vice chair and a financial director. Positions on the board will be voluntary and will be unpaid. The directors will be responsible for:

- The strategic direction of the BID
- Operating the Company in an efficient and transparent manner
- Financial management and prudence
- Oversight of the delivery of the projects and services in the BID Business Plan
- Making adaptations to the projects delivered, should new opportunities or changes in economic circumstances arise in the best interest of the business community
- Decision-making relating to grants programmes operated by the BID
- Monitor performance and publish in the company's Annual Report.

10 places on the board will be appointed through nomination and an election held where places are contested. Places will be open to all business owners/managers (who pay the levy) who are willing to give their time and expertise freely for the benefit of their town. The Directors where possible will be appointed to reflect the various businesses categories located in the town, as well as the different geographical areas of the town (town centre, industrial estates etc.) from both national companies and privately owned local businesses. If the Company does not receive enough nominations to the Board, directors can be co-opted to fill the vacant positions.

A further 2 places will be allocated to Argyll & Bute Council for their nominated representatives on the Board.

The Board of Directors will reserve the right to consider creating a charitable arm of the Company to enable it to secure additional funding that can only be sourced with charitable status.

Minimising risk

The Board will take all steps necessary to minimise any risk associated with the BID (financially or otherwise) by only using reputable contractors to deliver BID projects. The Board will also adopt best practice in governance and operational procedures whilst being open and transparent in its operations. The Company will undergo an evaluation of its activities at the half way point and at 4 years of its 5 year term to ensure that it is delivering all the projects and services as detailed in this plan.

BID Management and delivery

Following establishment of the new company structure, a BID Manager and Events Manager will be recruited together with an Administrator (all part-time posts). It is also proposed that 2 street ambassadors and one piper be employed seasonally. All posts will be accountable to the new Company board through the BID Manager.

Roles and responsibilities of the BID team will be to:

- Deliver the objectives of the Business Plan
- Act as a central co-ordinating bureau for events & festivals in the town
- Act as fundraiser for projects which contribute towards delivery of the BID's objectives
- Establish and facilitate an Oban Business Forum for the town
- Maintain direct communication with BID levy payers and key partners
- Manage the finances of the BID
- Monitor compliance with Argyll & Bute Council's, Transport Scotland's and Strathclyde Police's baseline service agreements
- Ensure compliance of the Operating Agreement between the Oban BID Company and Argyll & Bute Council

Monitoring BID performance

The BID Company will formally measure performance through the following Key Performance Indicators (KPI's):

- Footfall research at key events funded by the BID
- Visitor / shopper satisfaction perception surveys (using findings from OLTA and CHORD commissioned research)
- Annual survey of BID levy payers
- Sales performance research
- Vacancy rates
- Media coverage
- Crime Statistics

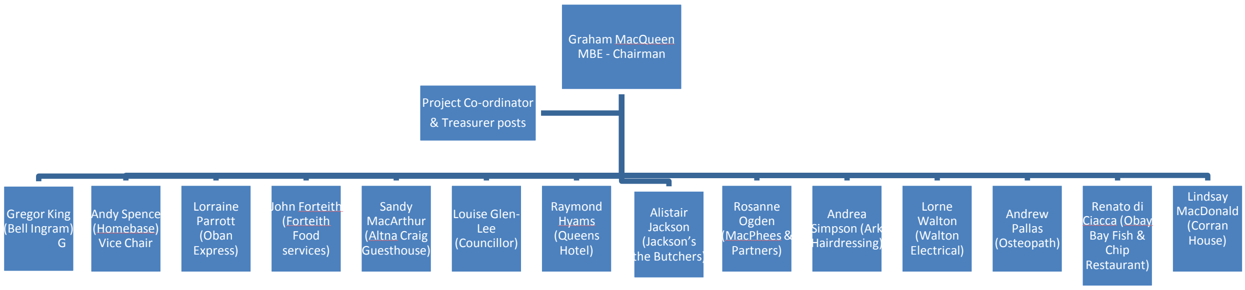
Communicating progress to Levypayers

Progress will be reported back on a regular basis to BID levy payers through:

- An Annual Review of progress and performance
- AGM
- Record of Quarterly board meeting
- Quarterly newsletters
- Regular website update
- Monthly e-bulletins and press releases.

20 June 2012

Current Steering Group



Note that all the following business sectors are represented on the Steering Group:

- Retail/ wholesale
- Hospitality, food & drink
- Professional services (legal)
- Distribution
- Leisure services
- Trade services

Oban Town Traders' Association and Oban Licensed Traders' Association are both represented on the Steering Group.

Contact details:

BID4Oban Steering Group
c/o CGL (Oban) Ltd Offices
Lochside Street
Oban   PA34 4HP
info@bid4oban.co.uk

www.bid4oban.co.uk

Agenda Item 12

ARGYLL AND BUTE COUNCIL | **COUNCIL MEETING**

EDUCATION | **Date: 28 June 2012**

APPOINTMENT PANEL: HEAD TEACHER POSTS

1. BACKGROUND

1.1 The School Boards (Scotland) Act 1988 provided details of the composition of the selection panel used to interview applicants for Head Teacher posts.

1.2 The Parental Involvement in Head Teacher and Deputy Head Teachers Appointment Regulations 2007/132 require that the education authority must consult with the Parent Council for the school concerned on the strategy for making an appointment. As part of the cyclical review process, the authority is reviewing its composition of the selection panel for Head Teacher appointments.

1.3 It has been the policy of the council for some years now to have an elected member of the council as chair of the interview panel. The current administration wishes to amend this policy by removing elected members from these panels.

2. RECOMMENDATIONS

2.1 The Council is asked to agree that the Chairperson of the selection panel to interview applicants for Head Teacher posts be drawn from members of the Senior Management Team of the education service.

3. DETAIL

3.1 There is a requirement to confirm arrangements for the selection panel for Head Teacher posts.

3.2 It is proposed that an Authority nominee will chair the appointment panel and that the authority's representatives will be at officer level. The relevant Parent Council will be invited to be represented on the panel. At least one-third of the panel must be members of the Parent Council or be nominated by the Parent Council to participate on their behalf.

3.3 In the absence of the Parent Council, the appointment panel for these posts will consist entirely of nominees of the education authority.

3.4 The Appointment Panel will make its recommendation to the Education Authority which makes the appointment.

4. CONCLUSION

The Appointment Panel for Head Teacher appointments will be chaired by a member of the senior management team of the education service and must have at least one third of the panel members from the relevant Parent Council or their nominees.

5. IMPLICATION

5.1 Policy: A change in the current procedure

5.2 Financial: There will be minor savings in the travel and subsistence costs of elected members as a result of this change.

5.3 Legal: None

5.4 H.R.: None

5.5 Equal Opportunities: The response is compliant with the Council's Equalities policy.

5.6 Risk: None

5.7 Customer Service: None

Cleland Sneddon
Executive Director

Date 15th June 2012

For further information contact:

Carol Evans, Head of Education, Argyll House, Alexandra Parade, Dunoon, Argyll PA23 8AJ
Telephone: 01369 70 8525

 Agenda Item 13

ARGYLL AND BUTE COUNCIL **28th June 2012**

COMMUNITY SERVICES

ARMED FORCES COMMUNITY COVENANT PLEDGE

1.0 SUMMARY

1.1 This report sets out the aim of the Community Covenant Pledge and recommends that Argyll and Bute Council along with NHS Highland and Argyll Voluntary Action agree to support the armed forces community within Argyll and Bute by signing the Argyll and Bute Armed Forces Community Covenant.

2.0 RECOMMENDATIONS

2.1 The Council is asked to

i) Note the contents of this report.
ii) Recognise the sacrifice made by members of the armed forces, particularly those who have given the most; and
iii) Commit to supporting current and former Armed Forces personnel and their families working and residing in Argyll and Bute by signing the Argyll and Bute Community Covenant.

3.0 BACKGROUND

3.1 The Armed Forces Community Covenant is a voluntary statement of mutual support between a civilian community and its local Armed Forces Community. The Community Covenant is signed by various members of the local community including representatives from the Armed Forces and community planning partners including the local authority, voluntary sector and health.

3.2 The Community Covenant is intended to complement, at local level, the Armed Forces Covenant, which outlines the moral obligation between the Nation, the Government and the Armed Forces.

4.0 DETAIL

4.1 Signing of the Community Covenant would help build upon the existing relationship Argyll and Bute Community Planning Partnership has developed with the Armed Forces at Her Majesty's Naval Base (HMNB) Clyde. The HMNB

Clyde is the Royal Navy's main presence in Scotland and is home to the core of the Submarine Service.

4.2 HMNB Clyde has over 6,500 civilians and service personnel employed on site and provides a base port to the ships and submarines of the Faslane Flotilla, also supplying many other visiting vessels each year.

4.3 Argyll and Bute Council also currently supports the implementation of the Ministry of Defence Firm Base initiative, which was established to help build strong partnerships between local government and the military. A nationwide armed services scheme, Argyll and Bute Council reports to the Strathclyde Firm Base Working Group covering matters from emergency response co-ordination and action to future planning of Council Services for current / former service personnel and their families.

4.4 The Community Covenant aims to bring together civilian, public / private sectors and military organisations to build an understanding of the needs of the armed forces and how best to serve them. The scheme is intended as a two way agreement where armed services personnel are encouraged to support the community where they live and promote activity that integrates them into civilian life.

4.5 The Community Covenant outlines the aspiration that the Armed Forces community should face no disadvantage compared to other citizens in the provision of public and commercial services and those partners signing today will consider positive measures to enable equality of outcome with other citizens.

4.6 Community Covenants have already been established in a number of areas across the United Kingdom, including; Glasgow, Fife, Oxfordshire, Hampshire, Blackpool, Wakefield and Plymouth. In demonstrating support for the Armed Forces a number of local authorities have organised fundraising events, military celebrations, open days and offering commercial discounts, which have all had a positive effect and boosted the morale of the local Armed Forces communities.

5. CONCLUSION/SUMMARY

5.1 The Armed Services Community Covenant rewards and recognises what the Armed Forces do for our communities. This recognition extends not just to those in the Services, but also their families and veterans, especially the injured and bereaved.

5.2 In consideration of the sacrifices made by Armed Forces personnel, it is recommended that the Council commit to support current and ex personnel and their families within Argyll and Bute by signing the Argyll and Bute Community Covenant.

6.0 IMPLICATIONS

5.1 Policy: None

5.2 Equal Opportunities: The Covenant supports the equality of access to services for all current and former service personnel and their families.

5.3 Personnel: None

5.4 Financial: None

Cleland Sneddon
Executive Director of Community Services

28 June 2012

For further information contact:
Helen Thornton
Management Trainee
Community Services
01546 604127

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