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14 November 2012

## NOTICE OF MEETING

A meeting of **ARGYLL AND BUTE COUNCIL** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 22 NOVEMBER 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 (IF ANY)**
3. **MINUTES**  
Argyll and Bute Council 25 October 2012 (Pages 1 - 14)
4. **AUDITED ACCOUNTS 2011/12**  
Report by Head of Strategic Finance (Pages 15 - 132)
5. **EXTERNAL AUDIT ANNUAL REPORT 2011/12**  
Report by Head of Strategic Finance (Pages 133 - 176)
6. **REVENUE BUDGET MONITORING AS AT 30 SEPTEMBER**  
Report by Head of Strategic Finance (Pages 177 - 206)
7. **CAPITAL PLAN MONITORING AS AT 30 SEPTEMBER**  
Report by Head of Strategic Finance (Pages 207 - 226)
8. **TREASURY MANAGEMENT MONITORING AS AT 30 SEPTEMBER**  
Report by Head of Strategic Finance (Pages 227 - 232)
9. **ANNUAL INVESTMENT STRATEGY 2012-13 REVISION**  
Report by Head of Strategic Finance (Pages 233 - 236)

- 10. CORPORATE IMPROVEMENT PLAN**  
Report by Head of Strategic Finance (Pages 237 - 242)
- 11. BUDGET CONSULTATION**  
Report by Head of Strategic Finance (Pages 243 - 244)
- 12. YOUTH EMPLOYMENT SKILLS PIPELINE AND ACTION PLAN**  
Report by Executive Director of Community Services (Pages 245 - 282)
- 13. ARGYLL AND BUTE'S PROMISE - GIVE ME A CHANCE**  
Report by Executive Director of Community Services (Pages 283 - 286)
- 14. CHIEF SOCIAL WORK OFFICER ANNUAL REPORT**  
Report by Chief Social Work Officer (Pages 287 - 312)
- 15. PROCUREMENT CAPABILITY ASSESSMENT 2012**  
Report by Executive Director of Community Services (Pages 313 - 328)
- 16. POLICE FIRE AND RESCUE REFORM - UPDATE**  
Report by Executive Director of Customer Services (Pages 329 - 334)
- 17. INDEPENDENT MEMBER ON AUDIT COMMITTEE**  
Report by Executive Director of Customer Services (Pages 335 - 336)
- 18. APPOINTMENT TO OUTSIDE BODY - HEALTH AND WELLBEING PARTNERSHIP**  
Report by Executive Director of Customer Services (Pages 337 - 338)
- 19. APPOINTMENT TO COSLA SPORT, ARTS AND CULTURE WORKING GROUP**  
Report by Executive Director of Customer Services (Pages 339 - 340)
- 20. PROGRAMME OF MEETINGS 2013-2014**  
Report by Executive Director of Customer Services (Pages 341 - 342)
- 21. ALCOHOL BY-LAWS OBAN**  
Report by Executive Director of Customer Services (Pages 343 - 350)
- 22. HELENSBURGH PIERHEAD MASTERPLAN**  
Report by Executive Director of Development and Infrastructure Services (Pages 351 - 380)
- 23. TEMPORARY SUSPENSION OF OFF STREET PARKING CHARGES DURING THE CHRISTMAS PERIOD**  
Report by Executive Director of Development and Infrastructure Services (to follow)
- E1 24. ACTUAL REALITY - PROPOSED SALE OF ARDENTINNY**  
Report by Executive Director of Customer Services (Pages 381 - 396)
- E2 25. NEXT GENERATION BROADBAND - COUNCIL CONTRIBUTION**  
Report by Executive Director of Customer Services (to follow)
- E3 26. VAT APPEAL**  
Report by Head of Strategic Finance (Pages 397 - 400)

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 I of Schedule 7a to the Local Government (Scotland) Act 1973.

The appropriate paragraphs are:-

**E1 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.

**E2 Paragraph 6** Information relating to the financial or business affairs of any particular person (other than 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.

**E3 Paragraph 12** Any instructions to counsel and any opinion of counsel (whether or not in connection with any proceedings) and any advice received, information obtained or action to be taken in connection with-

- (a) any legal proceedings by or against the authority, or
- (b) the determination of any matter affecting the authority, (whether, in either case, proceedings have been commenced or are in contemplation).

## **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, 25 OCTOBER 2012**

**Present:** Provost Isobel Strong (Chair)

Councillor Blair	Councillor R G MacIntyre
Councillor Breslin	Councillor Marshall
Councillor Colville	Councillor A Morton
Councillor Corry	Councillor E Morton
Councillor Currie	Councillor Mulvaney
Councillor Dance	Councillor Philand
Councillor Devon	Councillor Robb
Councillor Freeman	Councillor Robertson
Councillor Glen-Lee	Councillor Scoullar
Councillor Donald Kelly	Councillor Semple
Councillor McAlpine	Councillor Taylor
Councillor McCuish	Councillor Trail
Councillor MacDonald	Councillor Walsh
Councillor MacDougall	William Crossan
Councillor D MacIntyre	Alison Palmer
Councillor R E Macintyre	

**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  
Charles Reppke, Head of Governance and Law  
Jim Smith, Head of Roads and Amenity Services  
Jane Fowler, Head of Improvement and HR  
Lynn Finlay, HR Manager  
Tom Kerr, Senior HR Officer  
Dr Liz Cunningham, QI Manager  
Ishabel Bremner, Economic Development Manager

The Provost announced to the Council that there would be a presentation at 12.00 noon by the President and Chief Executive of COSLA and that the Council would adjourn the Council meeting for this.

The Council congratulated Community Services staff on winning the "Most Innovative Partnership" award in partnership with NHS Highland and Alzheimer Scotland at the recent Scottish Dementia Awards.

The Council recorded their congratulations to all the young people who had taken part in the Royal National MOD.

#### **1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Fred Hall, Anne Horn, David Kinniburgh, Donald MacMillan, Alex McNaughton and James McQueen; and from William Marshall, Teacher Representative.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest intimated.

**3. MINUTES**

**(a) Argyll and Bute Council - 20 September 2012**

The Minutes of the Meeting of 20 September 2012 were approved as a correct record subject to the following amendments:-

Councillor Aileen Morton should be recorded as leaving the meeting after item 24 and not after item 23.

At item 26, decision number 1; the words "a project" should be removed and replaced with "Long and Winding Way".

At item 28, under amendment; the words "a non integrated" should be replaced with "an integrated".

**(b) CHORD Programme Management Board - 3 October 2012**

The Minutes of the CHORD Programme Management Board of 3 October 2012 were noted.

**4. PRESENTATION BY REV. DANE SHERRARD ON THE GREEN PILGRIMAGE NETWORK**

The Council heard a presentation by the Rev Dane Sherrard on the Green Pilgrimage Network partnership project with Luss Parish Church. There are currently 12 sites of religious pilgrimage across the world who are the first members of the Green Pilgrimage Network. The Network will undertake unique actions to address some of the environmental consequences of their visitors; Luss Parish Church is one part of the Network and the Council was invited to partner them in their endeavours. The Council also considered a report by the Chief Executive.

**Decision**

1. The Council welcomed and gave endorsement to Luss Parish Church as a member of the Green Pilgrimage Network.
2. Agreed that Council Officers identify how the objectives as outlined at paragraph 3.9 of the submitted report be progressed with other strategic partners.

(Ref: Report by Chief Executive dated 20 September 2012, submitted)

**5. ELECTION OF TEACHER REPRESENTATIVES TO THE COUNCIL**

The Council considered a report which outlined the nomination process for the appointment of two teacher representatives to sit as non-voting members on the Council for the purposes of items of business relating to the functions of the Council as an education authority.

## **Decision**

The Council welcomed the outcome of the nominations and agreed that Alison Palmer, Arrochar Primary School and William Marshall, Dunoon Grammar School be appointed to sit as non-voting members on the Council.

(Ref: Report by Executive Director of Community Services dated 10 September 2012, submitted)

## **6. EXAMINATION RESULTS 2012**

The Council considered a report which advised of the examination results for 2012 and compared Argyll and Bute with its family of five similar authorities as developed by Her Majesty's Inspectorate of Education (HMIE). They also noted the role of the Performance Review and Scrutiny Committee in such matters.

## **Decision**

The Council noted the results for 2012 and agreed to continue to support the work of schools in securing continuous improvement.

(Ref: Report by Executive Director of Community Services dated 20 September 2012, submitted)

At 12 noon the Provost ruled, and the Council agreed, to adjourn the meeting to allow for a presentation from the President and the Chief Executive of COSLA who had been engaging with the 32 Councils in Scotland following the Local Government Elections in May. Members were given the opportunity to pose questions after the presentation. The Provost thanked the President and the Chief Executive of COSLA for attending the meeting and the Council reconvened.

The Provost ruled, and the Council agreed, to adjourn for lunch at 12.45pm and to reconvene at 1.30pm.

Alison Palmer left the meeting at this point and did not return.

## **7. CURRICULUM FOR EXCELLENCE ANNUAL REPORT 2012**

The Council considered a report which advised that each education authority has been asked to produce its second annual report for the national Curriculum for Excellence Management Board to provide evidence of progress towards Curriculum for Excellence (CfE) entitlements.

## **Decision**

The Council noted:-

1. The Education Services annual report.
2. The progress made by all sectors in CfE implementation.

(Ref: Report by Executive Director of Community Services dated 26 September 2012, submitted)

**8. SCOTLAND'S SCHOOLS FOR THE FUTURE PHASE 3 - OBAN HIGH SCHOOL**

The Council considered a report which advised of the outcome to the Council's recent application for resources under Phase 3 of the Scottish Government's Schools for the Future Programme. The bid was made to enable the redevelopment of Oban High School and the Council considered the next steps that will have to be taken should the decision be made to move forward with the project.

**Decision**

1. Noted the outcome of the bidding process.
2. Noted the steps that will have to be taken by the Council to further develop the project.
3. Instructed Officers to develop a business case for consideration as part of the budget process.
4. Agreed to confirm to the Scottish Future's Trust (SFT), the Council's acceptance in principle of the requirement to fund its share of the project costs subject to the outcome of the business case referred to above.

(Ref: Report by Executive Directors of Customer Services and Community Services dated 3 October 2012, submitted)

**9. NEW CAMPBELTOWN GRAMMAR SCHOOL - SITE SELECTION**

The Council considered a report which provided an update on the results of the agreed process for selecting a shortlist of possible sites for the new Campbeltown Grammar School to take to public consultation.

**Decision**

Noted the results of the process for selecting the shortlist of sites to take to public consultation and the proposed timetable for that consultation.

(Ref: Report by Executive Director of Community Services dated 25 October 2012, submitted)

**10. EXTERNAL INSPECTION/AUDIT REPORTING: JANUARY - JUNE 2012**

The Council considered a report which provided details of all external inspection / audit reports received across Argyll and Bute Council during the period 1 January 2012 to 30 June 2012.

**Decision**

Noted the contents of the report and the summary reports.

(Ref: Report by Chief Executive dated 16 September 2012, submitted)

**11. ANNUAL REPORT BY AUDIT COMMITTEE FOR FINANCIAL YEAR 2011 - 2012**

The Audit Committee, at its meeting on 21 September 2012, had agreed the Annual Audit Report for 2011-12 and this was before the Council for consideration.

**Decision**

Noted and approved the Annual Audit Report for 2011-12.

(Ref: Report by Chair and Vice Chair of the Audit Committee dated 25 October 2012, submitted)

**12. MANAGERS GUIDE TO IMPROVING EMPLOYEE PERFORMANCE**

The Council considered a report which advised of the new Improving Employee Performance Policy which was developed in consultation with the Joint Trade Unions.

**Decision**

The Council noted the contents of the report and approved the Improving Employee Performance Policy.

(Ref: Report by Head of Improvement and HR dated 25 October 2012, submitted)

**13. OFFICE CLOSURE - CHRISTMAS AND NEW YEAR**

The Council considered a report which advised of the intention to close Council Offices for non-essential employees over the Christmas and New Year period and for those staff to use 3 days leave from the statutory entitlement which the Council uses to apportion public holidays.

**Decision**

1. Noted the contents of the report and agreed to implement the closure with effect from December 2013.
2. Agreed to remove the 2.00pm closure on the last working day before Christmas and New Year for office based employees with effect from December 2013, for the implementation of the Christmas and New Year Closure.

(Ref: Report by Head of Improvement and HR dated 25 October 2012, submitted)

**14. BUDGET AND PLANNING FOR 2013-14**

At the Council meeting in September, the Lead Councillor for Strategic Finance delivered his Autumn statement on the budgetary outlook. The Council considered a report which set out how it is proposed to take forward the planning and budget process for 2013-14 based on the approach outlined in the Autumn statement.

The Provost ruled and the Council agreed to adjourn the meeting for 10 minutes to allow for an amendment by Councillor Dick Walsh to be tabled.

**Motion**

Agreed the approach to developing the 2013-14 revenue and capital budgets, savings options and updating of service and corporate plans, as outlined in the report.

Moved Councillor James Robb, seconded Councillor Sandy Taylor.

## Amendment

That the Council acknowledges that the local Government Finance Settlement announced in December 2011 covered the three year period to 2014-15  
That the Council agrees that the approach to developing the Revenue Budget for 2013-14 should be based around the following areas:

- That a realistic 3 year view is taken of the Council's budgetary position having regard to all the known areas that will impact on budget, services and spend with an annual review over the 3 year period.
- That the Revenue budget be constructed on the basis of a detailed Revenue Budget for the financial year 2013-14 with a high level summary Revenue Budget for the financial years 2014-15 and 2015-16.
- That the construction of the Revenue Budget will have regard to any impact from advised population projections, available monies from National Government, National Pay Agreements, agreed provisions for inflation, available income from Council Tax, Grants and agreed charges for services.
- That the construction of the Revenue Budget in relation to staff costs should be based on a pay increase of 1% in both 2013-14 and 2014-15 followed by a pay increase of 2% for 2015-16. No incremental growth be provided for after 2014-15 as most or all staff will be at the top of the pay scale.
- That the construction of the Revenue Budget in relation to inflation uplifts for the financial years 2013-14 and 2014-15 should provide for inflation only where it is inescapable and unavoidable. For the period beyond 2014-15 a further review should progress as part of the annual revenue budget review process based along the same lines as agreed for 2013-14 and 2014-15 before any provisions are finally agreed.
- Cost and demand pressures be reviewed for the periods 2013-14/2014-15 and 2015-16 as part of the budget construction and discussion exercise. As part of this consideration be given to the requirements and allowances advised for the operating costs for Campbeltown and Dunoon new schools proposals, and for Broadband Pathfinder in 2014-15.
- The Revenue Budget be constructed on the basis of the commitment with Government to efficiency savings based on 2% of the prorata share of the Scottish Government departmental expenditure limit with an annual efficiency saving target of around £3.6m. This will have regard to the agreed service review programmes and previous budget decisions taken in February 2011 and 2012. The Council's agreed Corporate Improvement Plan should identify and deliver the options for future 2% efficiency savings.
- As part of the Council's budget discussions and as suggested in the Head of Strategic Finance's report, a Capital Plan should be constructed in a way that reflects the agreed Capital Plan in February 2012 with a commitment for spend until 2014-15. Beyond 2014-15 any agreed spend should be maintained within available and agreed capital provisions.
- In the preparation of the Council's budget for the 3 year period consideration should be given to the use of any revenue or capital reserves.
- That as part of the Revenue Budget process, Service plans are brought forward as part of the budget pack in January, that a revised Corporate Plan is brought forward in due course, that a programme of seminars is promoted for members, that an approach to budget consultation is brought forward in due course and that the draft budget timetable advised in the report at para 3.11 is accepted.

Moved Councillor Dick Walsh, seconded Councillor Ellen Morton.

The requisite number of Members required the vote to be taken by calling the roll, and Members voted as follows –

## **Motion**

Councillor Gordon Blair  
Councillor Michael Breslin  
Councillor Mary Jean Devon  
Councillor George Freeman  
Councillor Louise Glen Lee  
Councillor Donald Kelly  
Councillor John McAlpine  
Councillor Roderick McCuish  
Councillor Iain MacDonald  
Councillor Robert E MacIntyre  
Councillor Robert G MacIntyre  
Councillor Douglas Philand  
Councillor James Robb  
Councillor Elaine Robertson  
Councillor John Semple  
Councillor Isobel Strong  
Councillor Sandy Taylor  
Councillor Richard Trail

## **Amendment**

Councillor Rory Colville  
Councillor Maurice Corry  
Councillor Robin Currie  
Councillor Vivien Dance  
Councillor Alistair MacDougall  
Councillor Duncan MacIntyre  
Councillor Bruce Marshall  
Councillor Aileen Morton  
Councillor Ellen Morton  
Councillor Gary Mulvaney  
Councillor Len Scoullar  
Councillor Dick Walsh

## **Decision**

The Motion was carried by 18 votes to 12 and the Council resolved accordingly.

(Ref: Report by Head of Strategic Finance dated 25 October 2012, submitted)

## **15. SERVICE LEVEL AGREEMENT WITH SKILLS DEVELOPMENT SCOTLAND**

The Council considered a report which advised that the Council, with input from appropriate Community Planning Partners with a skills development remit, had developed a Service Delivery Agreement (SDA) with Skills Development Scotland (SDS) to provide a clear focus for ongoing partnership working for the skills development agenda across Argyll and Bute for 2012-13.

## **Decision**

1. The Council approved the Service Delivery Agreement which provides a focus for partnership working with Skills Development Scotland.
2. Agreed that the Council sign the agreement with Skills Development Scotland.

(Ref: Report by Executive Director of Development and Infrastructure Services dated 25 October 2012, submitted)

## **16. AUDIT SCOTLAND REPORT - MAINTAINING SCOTLAND'S ROADS - FOLLOW UP WORK**

The Council considered a report which provided the background to the Council's consideration of the proposed Roads Asset Management and Maintenance Strategy and Winter Maintenance Policy developed by Audit Scotland.

**Decision**

The Council noted the Audit Scotland Report.

(Ref: Report by Executive Director of Development and Infrastructure Services dated September 2012, submitted)

**17. ROADS ASSET MANAGEMENT AND MAINTENANCE STRATEGY**

The Council considered a report which advised of the proposed Roads Asset Management and Maintenance Strategy which sets up the Council's proposed approach towards ensuring the Value For Money is achieved in terms of where, why and how the Council will target its financial resources.

**Decision**

The Council -

1. Approved the Roads Asset Management and Maintenance Strategy pro-term.
2. Approved the establishment of a Short Life Working Group comprising of Councillors John Semple, Mary Jean Devon and Robert G MacIntyre from the Administration; and Councillors Duncan MacIntyre and Ellen Morton from the Opposition Groups.

(Ref: Report by Executive Director of Development and Infrastructure Services dated September 2012, submitted)

**18. ROADS RECONSTRUCTION PROGRAMME 2012/13 - UPDATE**

The Council considered a report which advised of the progress being made with regard to the delivery of the Roads Reconstruction Programme for 2012-13.

**Decision**

The Council noted the progress of the Roads Reconstruction Programme for 2012-13.

(Ref: Report by Executive Director of Development and Infrastructure Services dated 25 October 2012, submitted)

**19. DRAFT POLICY FOR COUNCIL CONTRIBUTION TOWARDS BRINGING PRIVATE ROADS UP TO ADOPTABLE STANDARD**

The Council considered a report which proposed a policy for bringing unadopted roads up to an adoptive standard.

**Decision**

The Council approved the policy criteria for bringing unadopted roads, footways and streetlighting infrastructure up to an adoptable standard as set out in the submitted report.

(Ref: Report by Executive Director of Development and Infrastructure Services dated 25 October 2012, submitted)



**20. WINTER MAINTENANCE POLICY 2012/13**

The Council considered a report which introduced the Winter Maintenance Policy for 2012-13 which remained largely unchanged from the previous year, other than amendments to the section dealing with the provision of grit bins.

**Decision**

The Council approved -

1. The 2012-13 Winter Maintenance Policy at Appendix 1 to the submitted report.
2. The Salt Use Reduction and Preservation of Stocks Protocol at Appendix 3 to the submitted report.

(Ref: Report by Executive Director of Development and Infrastructure Services dated 25 October 2012, submitted)

Councillor Elaine Robertson and Councillor Vivien Dance and left the meeting at this point.

Provost Isobel Strong left the meeting at this point and Depute Provost Douglas Philand took the Chair. Councillor Robert E MacIntyre left the meeting at this point.

**21. WINTER WEATHER READY COMMUNICATIONS PLAN 2012/13**

The Council considered a report which introduced the Winter Weather Ready Communications Plan 2012-13 devised by the Communications and Web Teams and the Community Resilience Project Team.

**Decision**

The Council -

1. Noted the Winter Weather Ready Communications Plan which will deliver accurate and up to date information during periods of severe weather to members of the public, elected members, schools and partner organisations.
2. Instructed services to support the effective operation of the Plan by implementing the approved procedures.

(Ref: Report by Head of Improvement and HR dated September 2012, submitted)

**22. CHARLES AND BARBARA TYRE TRUST: APPOINTMENT OF GOVERNORS**

The Council considered a report which advised that the Charles and Barbara Tyre Trust had written to the Council seeking agreement for the appointment of two governors to the Board of the Charles and Barbara Tyre Trust.

**Decision**

The Council agreed –

1. To the appointment of Mrs Mary Smith (Tarbert) and Mrs Isabella Soudan (Lochgilphead) to act as Governors on the Board of the Charles and Barbara Tyre Trust.

2. To receive a report on all trusts that the Council has an involvement with to a future meeting.

(Ref: Report by Executive Director of Customer Services dated 12 September 2012, submitted)

Councillor John McAlpine left the meeting at this point.

**23. BOUNDARY COMMISSION 6TH REVIEW - UK PARLIAMENTARY CONSTITUENCIES 2012**

The Council considered a report which provided an update on the ongoing 6<sup>th</sup> Review of UK Parliamentary Boundaries with reference to the Argyll and Bute Constituency.

**Motion**

To note the proposed changes and agree that a recommendation to the Boundary Commission that the Constituency be renamed as Argyll and the Isles.

Moved Councillor Mulvaney, seconded Councillor Morton.

**Amendment 1**

To note the proposed changes and agree that a recommendation to the Boundary Commission that the Constituency be renamed as Earra Ghaidheal (Argyll in Gaelic).

Moved Councillor Robin Currie, seconded Councillor Mary Jean Devon.

**Amendment 2**

To note the proposed changes and agree that a recommendation to the Boundary Commission that the Constituency be renamed as Earra Ghaidheal agus Bhoid (Argyll and Bute in Gaelic).

Moved Councillor Dick Walsh, seconded Councillor Louise Glen Lee.

**Decision**

Following a show of hands vote the Motion was carried by 16 votes; with Amendment 1 receiving 5 votes and Amendment 2 receiving 4 votes.

(Ref: Report by Executive Director of Customer Services dated September 2012, submitted)

**24. PA23 BID**

The Bute and Cowal Area Committee at it's meeting on 2 October 2012, recommended to the Council to support the PA23BID initiative. The Council considered the second Business Improvement District (PA23 Dunoon) Business Plan for the PA23 Dunoon area which required to have Council support prior to the formal submission of the Business Plan to the Council and the Scottish Government.

**Decision**

The Council agreed -

1. That subject to due diligence by Strategic Finance, Support and Customer Services, Governance and Law and Development and Infrastructure, the Executive Director of Development and Infrastructure will respond on whether to support or veto the formal submission from PA23 when received, in consultation with the Leader, Depute Leader, Chief Executive and the Executive Director of Customer Services.
2. That subject to the Council's support and a successful ballot the Council will provide £12.605k per annum for five years in terms of the Council's contribution (based on its property holdings) to the annual levy of c.£129k.
3. That subject to the Council's support and a successful ballot that Council will provide a financial contribution of £15K per annum for five years from the Dunoon CHORD budget that is aligned with the CHORD objectives for the redevelopment of the Queens Hall and the regeneration of Dunoon. The release of this funding will be subject to an annual agreement of the related programme of PA23 activity.

(Ref: Report by Executive Director of Development and Infrastructure Services dated 25 October 2012, submitted)

## **25. PROCUREMENT REFORM BILL - CONSULTATION**

The Council considered the draft response together with a report which advised that the Scottish Government had published its consultation on the Procurement Reform Bill on 9 August 2012.

### **Decision**

The Council –

1. Noted the context of the report.
2. Approved the response as detailed in the submitted report as the Council's formal response to the Scottish Government's consultation on the Procurement Reform Bill.

(Ref: Report by Executive Director of Customer Services dated 3 September 2012, submitted)

Councillor James Robb and Councillor Richard Trail left the meeting at this point.

## **26. EXTENSION OF THE LIFE OF THE HUNTERSTON AND TORNESS NUCLEAR POWER STATIONS**

The Bute and Cowal Area Committee at its meeting on 2 October 2012 considered the terms of a Notice of Motion with regard to the Hunterston and Torness Nuclear Power Stations and had recommended their decision to the Council for consideration.

### **Motion**

That no action be taken.

Moved Councillor McCuish, seconded Councillor Breslin.

### **Amendment**

In terms of Standing Order 14 the following Notice of Motion was before the Council for consideration -

Following the news recently released that the Scottish Government intends to permit the

lives of two ageing nuclear power station to be prolonged until 2033, Bute and Cowal Area Committee recommends to Argyll and Bute Council that it.

1. Notes with grave concerns that:

- (a) An expert report published very recently by the ten strong group of Nuclear Free Scottish Councils (N.F.S.C), says that Ministers are wrong to allow Torness and Hunterston to continue running for two more decades.
- (b) Hunterston B station is already older than most of the reactors which were closed by the German Government, following the Fukushima disaster last year.
- (c) The German Government intends that usage economies will cut demand there for electricity by ten percent to meet these closures, while in Scotland we are expecting a rise in usage of ten percent.
- (d) The author of the report Pete Roche, who is an expert policy advisor to the (N.F.S.C), warns that "Milking Scottish reactors dry is another way of maximising the chances of an accident as these reactors get older and more decrepit".

2. Recommends that the Council,

- (a) Acknowledges the potential future danger from an ageing Hunterston B, as indicated in the expert report, to the people of Argyll and Bute, especially Bute and Cowal which are only six and ten miles distant, respectively.
- (b) Expresses its deep concerns on the potential future adverse health implications for the people of Bute and Cowal in particular and Argyll and Bute also Scotland generally.
- (c) Agrees to object in the strongest possible terms to the Scottish Government and to represent those terms to the First Minister Alex Salmond.

Proposed by Councillor L Scoullar  
Seconded by Councillor J R Walsh

The requisite number of Members required the vote to be taken by calling the roll and Members voted as follows –

Motion	Amendment	No Vote
Councillor Gordon Blair	Councillor Rory Colville	Councillor Maurice Corry
Councillor Michael Breslin	Councillor Robin Currie	Councillor Aileen Morton
Councillor Mary Jean Devon	Councillor Alistair MacDougall	Councillor John Semple
Councillor George Freeman	Councillor Duncan MacIntyre	
Councillor Louise Glen Lee	Councillor Ellen Morton	
Councillor Donald Kelly	Councillor Len Scoullar	
Councillor Roderick McCuish	Councillor Dick Walsh	
Councillor Iain MacDonald		
Councillor Robert G MacIntyre		
Councillor Gary Mulvaney		
Councillor Douglas Philand		
Councillor Sandy Taylor		

## Decision

The Motion was carried by 12 votes to 7 with 3 no votes; and the Council resolved accordingly.

(Ref: Recommendation by the Bute and Cowal Area Committee of 2 October 2012, submitted)

The Council resolved in terms of Section 50(A)(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 9 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

### **27. PROPOSED WASTE MANAGEMENT STRATEGY FOR COMPLIANCE WITH THE SCOTTISH GOVERNMENT ZERO WASTE PLAN AND WASTE (SCOTLAND) REGULATIONS 2012**

The Council considered a report which set out a proposed strategic approach towards Waste Management within Argyll and Bute to ensure compliance with the Scottish Government's Zero Waste Plan and the Waste (Scotland) Regulations which came into force on 17 May 2012.

#### **Decision**

1. The Council approved the proposed Waste Management Strategy as set out at section 5.0 of the submitted report.
2. The Council approved the publication of the Waste Management Strategy with the exception of sections 5.6 and 8.0 of the submitted report as both contain commercially confidential information.

(Ref: Report by Executive Director of Development and Infrastructure Services dated 25 October 2012, submitted)

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**ARGYLL AND BUTE COUNCIL****COUNCIL****STRATEGIC FINANCE****22 NOVEMBER 2012**

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**AUDITED ACCOUNTS 2011-12**

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**1 INTRODUCTION**

- 1.1 The external auditors, Audit Scotland, have completed their audit of the Council's accounts for the year to 31 March 2012. The audited accounts incorporating the audit certificate for 2011-12 are attached. The audit certificate contains no qualifications.

**2 RECOMMENDATIONS**

- 2.1 The audited accounts and the terms of the audit certificate are noted.

**3 DETAIL**

- 3.1 The audited accounts including the audit certificate and the external audit report for the 2011-12 audit are attached.
- 3.2 The accounts were completed and submitted by the statutory date of 30 June 2012. The audit has been completed within the timescale of 30 September 2012, set by Audit Scotland.
- 3.3. The audit certificate on the Council's accounts for the year ended 31 March 2012 contains no qualification. External audit are able to conclude that the Council's accounts present a true and fair view of its financial position as at 31 March 2012.
- 3.4 Appendix 1 is a schedule of the significant changes to the accounts. The 2 significant adjustments to the accounts were as noted below. There were also a few presentation adjustments.
- A reduction in the values at which landfill sites are held based on valuations provided by the Valuation Office Agency of £2.966m.
  - An increase in the accrued expenditure in relation to holiday pay for teachers of £0.244m.
- 3.5 The table below reconciles the changes from unaudited accounts to audited accounts for Deficit/(Surplus) on Provision of Services, balance on the General Fund and Total Assets less Liabilities.

	(Surplus) On Provision of Services £m	General Fund Balance £m	Total Assets Less Liabilities £m
Unaudited Accounts	(18.852)	(34.572)	180.177
Reduction in the value of landfill sites	2.966		(2.846)
Increase to holiday pay accrual for teachers	0.244		(0.244)
<b>Audited Accounts</b>	<b>(15.642)</b>	<b>(34.572)</b>	<b>(177.087)</b>

3.6 The committed funds within the General Fund Balance were £29.454m per the unaudited accounts. This leaves a free General Fund Balance of £5.118m. This equates to 2% of the Council's budgeted net expenditure for 2012-13 and exceeds the agreed contingency level approved as part of the 2012-13 to 2014-15 budget process. The level of General Fund Balance and contingency will require to be considered during the 2013-14 budget process.

3.7 The external audit report identifies 3 errors where it was agreed not to amend the accounts. These would have reduced the General Fund Balance by £0.102m. They comprise.

	<b>£m</b>
Debtors invoice not accrued	0.008
Understatement of common good / trust funds	(0.101)
Overstatement of imprest balances	<u>(0.009)</u>
Net error	<u>(0.102)</u>

Bruce West  
Head of Strategic Finance  
1 November 2012



**APPENDIX 1 – SUMMARY OF MAIN CHANGES TO FINANCIAL STATEMENTS ARISING FROM AUDIT**

<b>Section of Financial Statements Changes</b>	<b>Audited Accounts £000s</b>	<b>Unaudited Accounts £000s</b>	<b>Change £000s</b>	<b>Comments / Explanation</b>
<b>Comprehensive income &amp; Expenditure Account (Pages 32-33 of audited accounts)</b>				
Net cost of service	240,192	236,982	3,210 (Dr)	Reduction in valuation of landfill site £2.966m Increase in teachers holiday pay accrual £0.244m
Surplus) / Deficit on Provision of Services	(15,642)	(18,852)	3,210 (Dr)	See above
<b>Statement of Movement in Reserves (Pages 28-29 of audited accounts)</b>				
Surplus) / Deficit on Provision of Services	(15,642)	(18,852)	3,210 (Dr)	See Comprehensive Income and Expenditure Account above.
Impairment of Non-Current Assets	(6,460)	(3,494)	2,966 (Cr)	Reduction in valuation of landfill site £2.966m
Adjustment of employee benefits (holiday pay accrual)	2,588	2,832	244 (Cr)	Increase in teachers holiday pay accrual £0.244m
Net gain or loss on sale of non current assets	(755)	(632)	123 (Cr)	
Transfer to / from statutory reserve	139	16	123 (Dr)	
Increase / (Decrease) in General Fund Balance for the Year	(820)	(820)	0 (Cr)	
Balance on General Fund Carried Forward	(34,572)	(34,572)	0 (Cr)	

<b>Balance Sheet (Page 34 of audited accounts)</b>				
Property, Plant and Equipment	475,186	478,032	2,846 (Cr)	Reduction in valuation of landfill sites
Short term borrowing	(3,225)	(553)	2,672 (Cr)	Reclassification of accrued interest from creditors
Short term Creditors	(33,082)	(5,510)	2,428 (Dr)	Reclassification of accrued interest to short term borrowing £2,672m (Cr) Increase to teachers holiday pay accrual £0.244m (Dr)
Total assets less liability	177,087	180,177	3,090 (Cr)	

**Argyll and Bute Council**  
Comhairle Earra Ghàidheal agus Bhòid



## **Audited 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。

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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 دستاویز اگر آپ کو کسی دیگر زبان یا دیگر شکل میں درکار ہو، یا اگر آپ کو ترجمان کی خدمات چاہئیں تو برائے 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**

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## Explanatory Foreword by the Head of Strategic Finance

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### 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 28 to 36. Note 1 to the Financial Statements on pages 37 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:

- Statement of Movement in Reserves for the period
- Statement of Comprehensive Income and Expenditure 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 42.

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.



## Explanatory Foreword by the Head of Strategic Finance

### FINANCIAL PERFORMANCE

#### Statement of Movement in Reserves

The total Council reserves have decreased from £212.980m at 31 March 2011 to £177.087m at 31 March 2012, a decrease of £35.893m. This is represented by a Surplus on Provision of Services of £15.642m offset by a deficit in Other Comprehensive Income and Expenditure of £51.535m.

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 £36.623m from £175.604m at 31 March 2011 to £138.981m 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 £5.619m 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 £14.977m. 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 Statement of £15.642m less the adjustments to reflect impact on Council Tax of £14.977m 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 53. 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.

## Explanatory Foreword by the Head of Strategic Finance

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

	£m	£m
<b>Balance on General Fund 31 March 2011</b>		<b>33.907</b>
Release of sums previously earmarked to service budgets 2011-12		(10.224)
		<b>23.683</b>
<b>Add outturn for 2011-12:</b>		
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	
<b>Surplus against budget 2011-12</b>		<b>3.068</b>
<b>Contributions to Earmarked Reserves 2011-12:</b>		
Council Tax collection on second homes	1.817	
Funds earmarked by departments from budgets	6.004	
		<b>7.821</b>
<b>Balance on General Fund 31 March 2012</b>		<b>34.572</b>

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.

## Explanatory Foreword by the Head of Strategic Finance

### 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	% 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	<u>(0.400)</u>	<u>(1.47%)</u>
<b>TOTAL</b>	<b>1.220</b>	<b>0.51%</b>

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 £35.893m for 2011-12 compared to a surplus of £100.754m 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 £177.087m 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 £15.642m and a surplus on the revaluation of Long Term Assets of £5.619m; these are offset by an actuarial loss on the pension fund assets/liability of £57.154m.

The surplus on the provision of services of £15.642m 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.

## Explanatory Foreword by the Head of Strategic Finance

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- The Net Cost of Services has increased from £209.620m in 2010-11 to £240.192m in 2011-12 an increase of £30.572m (14.6%). 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 £35.893m from £212.980m at 31 March 2011 to £177.087m at 31 March 2012.

The value of long term assets has increased from £479.957m at 31 March 2011 to £486.289m at 31 March 2012, an increase of £6.332m (1.3%). 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 £40.865m at 31 March 2012 a reduction of £3.581m. Short term creditors have fallen from £36.168m to £33.082m. 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.

## Explanatory Foreword by the Head of Strategic Finance

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### 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 58. 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.

## Explanatory Foreword by the Head of Strategic Finance

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:

	<b>£'m</b>
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	<b>13.782</b>

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

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

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 be 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.



## Explanatory Foreword by the Head of Strategic Finance

### 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 107.

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:

	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
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)
<b>Revenue Expenditure on Services</b>	<b>255.851</b>	<b>257.529</b>	<b>255.755</b>
Funding	259.611	257.529	255.769
<b>Annual Surplus/(Deficit)</b>	<b>3.760</b>	<b>0</b>	<b>0.014</b>

## Explanatory Foreword by the Head of Strategic Finance

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:

	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Total Capital Expenditure</b>	<b>42.644</b>	<b>38.432</b>	<b>39.312</b>
<b><i>Funded by:</i></b>			
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 September 2012**



## 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 September 2012**

## Statement of Governance and Internal Control

### 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.

## Statement of Governance and Internal Control

- Strathclyde Joint Police Board
- Strathclyde Fire and Rescue Joint Board
- Dunbartonshire and Argyll and 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 Chairman and Vice Chairman are independent lay members of the Audit Committee.

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:

-

## Statement of Governance and Internal Control

- 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 September 2012**

## The Remuneration Report

### 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

Councillors' payments 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	2010-11
	Actual £'000	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
<b>Total Allowances</b>	<b>841</b>	<b>867</b>

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 £
<b>Provost</b> - Councillor William Petrie	24,353	-	-	<b>24,353</b>	24,933
<b>Leader</b> - Councillor Dick Walsh	32,470	565	-	<b>33,035</b>	34,537
<b>Education and Lifelong Learning Spokesperson</b> - Councillor Isobel Strong (to 25-11-10)	-	-	-	-	17,303
<b>Education and Lifelong Learning Spokesperson</b> - Councillor Ellen Morton (from 06-12-10)	24,353	-	-	<b>24,353</b>	7,022
<b>Leader of the Opposition</b> - Councillor Ellen Morton (to 25-11-10)	-	-	-	-	14,183
<b>Economy, Environment and Rural Affairs Spokesperson</b> - Councillor Robert Macintyre (to 25-11-10)	-	-	-	-	17,303
<b>Leader of the Opposition</b> - Councillor Robert Macintyre (from 06-12-10)	19,962	-	-	<b>19,962</b>	6,066
<b>Housing and Communities Spokesperson</b> - Councillor George Freeman (to 25-11-10)	-	-	-	-	17,829
<b>Transport and Infrastructure Spokesperson</b> - Councillor Duncan MacIntyre	24,353	-	-	<b>24,353</b>	24,686
<b>Islands and European Affairs Spokesperson</b> (to 06-12-10), <b>European Issues Spokesperson</b> (from 06-12-10) - Councillor Len Scoullar	24,353	65	-	<b>24,418</b>	24,793



## The Remuneration Report



Senior Members	2011-12				2010-11
	Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £	Total Remuneration £
<b>Rural and Island Affairs, Housing and Gaelic Spokesperson</b> - Councillor Robin Currie (from 06-12-10)	24,353	-	-	<b>24,353</b>	7,022
<b>Social Services Spokesperson</b> - Councillor Donald McIntosh (to 25-11-10)	-	-	-	-	17,425
<b>Social Services Spokesperson</b> - Councillor Andrew Nisbet (from 06-12-10)	24,353	-	-	<b>24,353</b>	7,022
<b>Third Sector Spokesperson</b> - Councillor John Semple (to 25-11-10)	-	-	-	-	17,948
<b>Third Sector and Communities Spokesperson</b> - Councillor Rory Colville (from 06-12-10)	24,353	-	-	<b>24,353</b>	7,022
<b>Enterprise, Energy, Culture and Tourism Spokesperson</b> - Councillor Neil MacKay (from 06-12-10)	24,353	-	-	<b>24,353</b>	7,022
<b>Chair - Helensburgh and Lomond Area Committee</b> - Councillor Vivien Dance (from 06-12-10)	19,962	-	-	<b>19,962</b>	5,756
<b>Chair - Bute and Cowal Area Committee</b> - Councillor Bruce Marshall	24,353	200	-	<b>24,553</b>	21,740
<b>Environment Spokesperson</b> - Councillor Bruce Marshall (from 06-12-10)					
<b>Chair - Mid Argyll, Kintyre &amp; Islands Area Committee</b> - Councillor Donald MacMillan	19,962	-	-	<b>19,962</b>	19,962
<b>Chair - Protective Services and Licensing Committee</b> - Councillor Daniel Kelly	24,353	315	-	<b>24,668</b>	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
<b>Total</b>	<b>69</b>	<b>83</b>

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
	£	£	£	£	£
<b>Chief Executive</b> - Sally Loudon	118,017	2,309	-	<b>120,326</b>	<b>118,239</b>
<b>Executive Director of Community Services</b> - Cleland Sneddon (from 17-05-10) (Full year equivalent)	92,770	4,343	-	<b>97,113</b>	<b>78,342</b> <b>(92,625)</b>
<b>Executive Director of Customer Services</b> - Douglas Hendry	92,516	603	-	<b>93,119</b>	<b>93,173</b>
<b>Executive Director of Development and Infrastructure Services</b> - Alexander MacTaggart (from 01-04-10)	92,770	-	-	<b>92,770</b>	<b>92,433</b>
<b>Head of Strategic Finance (Section 95 Financial Officer)</b> - Bruce West	68,539	820	-	<b>69,359</b>	<b>69,309</b>
<b>Head of Adult Care (Section 3 Social Work Officer)</b> - James Robb (from 12-11-11)	68,728	-	-	<b>68,728</b>	-
<b>Head of Children and Families (Section 3 Social Work Officer)</b> - Dougie Dunlop (to 11-11-11) (Full year equivalent)	48,078 (68,728)	113	-	<b>48,191</b> <b>(68,728)</b>	<b>69,178</b> -
<b>Head of Improvement and HR (Direct Report to Chief Executive)</b> - Jane Fowler	68,728	-	-	<b>68,728</b>	<b>68,764</b>

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.

During 2011-12 Dougie Dunlop left the organisation and James Robb, Head of Adult Care, took over the role of Section 3 Social Work Officer, no additional remuneration was given for taking over this role.

## 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	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 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> 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 £
<b>Education and Lifelong Learning Spokesperson</b> (from 06-12-10) and <b>Leader of the Opposition</b> (to 25-11-10) - Councillor Ellen Morton	4,678	3,844	Pension <i>Lump Sum</i>	1,514 1,468	436 118
<b>Housing and Communities Spokesperson</b> - Councillor George Freeman (to 25-11-10)	3,118	3,983	Pension <i>Lump Sum</i>	1,733 1,680	335 (72)
<b>Islands and European Affairs Spokesperson</b> (to 06-12-10), <b>European Issues Spokesperson</b> (from 06-12-10) - Councillor Len Scoullar	4,678	4,414	Pension <i>Lump Sum</i>	1,629 1,580	430 77
<b>Rural and Island Affairs, Housing and Gaelic Spokesperson</b> - Councillor Robin Currie (from 06-12-10)	4,678	3,365	Pension <i>Lump Sum</i>	1,219 707	428 80
<b>Social Services Spokesperson</b> - Councillor Andrew Nisbet (from 06-12-10)	4,678	3,365	Pension <i>Lump Sum</i>	1,332 1,084	428 112
<b>Third Sector Spokesperson</b> Councillor John Semple (to 25-11-10)	3,118	3,983	Pension <i>Lump Sum</i>	1,463 1,418	319 (16)
<b>Third Sector and Communities Spokesperson</b> - Councillor Rory Colville (from 06-12-10)	4,678	3,365	Pension <i>Lump Sum</i>	1,423 1,380	431 137
<b>Enterprise, Energy, Culture and Tourism Spokesperson</b> - Councillor Neil MacKay (from 06-12-10)	4,678	3,365	Pension <i>Lump Sum</i>	1,193 1,157	416 184
<b>Chair - Helensburgh and Lomond Area Committee</b> -Councillor Vivien Dance (from 06-12-10)	3,834	3,135	Pension <i>Lump Sum</i>	1,337 1,297	364 78
<b>Chair - Bute and Cowal Area Committee and Spokesperson for the Environment</b> (from 06-12-10)- Councillor Bruce Marshall	4,678	3,844	Pension <i>Lump Sum</i>	1,520 1,475	436 117

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 £
<b>Chief Executive - Sally Loudon</b>	22,248	21,085	Pension	32,432	4,033
			<i>Lump Sum</i>	71,517	(2,050)
<b>Executive Director of Community Services - Cleland Sneddon (from 17-05-10)</b>	17,792	14,028	Pension	26,720	5,771
			<i>Lump Sum</i>	66,252	11,117
<b>Executive Director of Customer Services - Douglas Hendry</b>	17,828	16,812	Pension	35,498	1,544
			<i>Lump Sum</i>	92,624	-
<b>Executive Director of Development and Infrastructure Services - Alexander MacTaggart (from 01-04-10)</b>	17,792	16,619	Pension	10,986	1,648
			<i>Lump Sum</i>	19,052	202
<b>Head of Strategic Finance (Section 95 Financial Officer) - Bruce West</b>	13,200	12,448	Pension	27,208	1,142
			<i>Lump Sum</i>	71,358	-
<b>Head of Adult Care (Section 3 Social Work Officer) - James Robb (from 12-11-11)</b>	13,174	12,437	Pension	23,741	1,131
			<i>Lump Sum</i>	60,936	(31)
<b>Head of Children and Families (Section 3 Social Work Officer) - Dougie Dunlop (to 11-11-11)</b>	9,197	12,437	Pension	22,507	743
			<i>Lump Sum</i>	58,399	(31)
<b>Head of Improvement and HR (Direct report to Chief Executive) - Jane Fowler</b>	13,174	12,437	Pension	19,213	1,137
			<i>Lump Sum</i>	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 cost per band for compulsory and other redundancies are set out in the table below:

No	2010/11				Exit Package Cost Band	No	2011/12			
	Cash Value			Notional CAY Value £			Cash Value			Notional CAY Value £
	Compulsory Redundancies £	Other Departures £	Total Cash Value Cost £				Compulsory Redundancies £	Other Departures £	Total Cash Value Cost £	
187	256,110	1,270,029	<b>1,526,139</b>	280,478	£0 - £20,000	89	229,520	308,113	<b>537,633</b>	81,661
47	99,746	1,188,259	<b>1,288,006</b>	362,354	£20,001 - £40,000	26	149,137	593,154	<b>742,290</b>	129,121
15	126,299	595,276	<b>721,575</b>	147,473	£40,001 - £60,000	24	202,360	987,862	<b>1,190,222</b>	131,085
9	63,511	558,068	<b>621,579</b>	117,034	£60,001 - £80,000	15	66,162	958,650	<b>1,024,812</b>	42,544
3	-	258,508	<b>258,508</b>	52,944	£80,001 - £100,000	5	80,599	363,919	<b>444,518</b>	37,760
2	-	219,487	<b>219,487</b>	41,848	£100,001 - £150,000	5	122,020	530,534	<b>652,553</b>	-
1	-	249,655	<b>249,655</b>	25,661	£150,001 - £200,000	3	158,291	207,892	<b>366,182</b>	48,313
<b>264</b>	<b>545,667</b>	<b>4,339,281</b>	<b>4,884,950</b>	<b>1,027,792</b>		<b>167</b>	<b>1,008,089</b>	<b>3,950,122</b>	<b>4,958,210</b>	<b>470,483</b>

Exit package costs include redundancy payments, pension strain and compensatory lump sum payments for all retirees. The costs should also include the capitalised cost of compensatory added years ("CAY"), which will be payable to the pension fund until the retiree ceases to claim their pension. For employees with pensions provided by the Strathclyde Pension Fund (the provider for all employees other than teachers) the notional cost of added years is noted separately in the table as costs are based on an assessment by the pensions provider of the present value of all future payments to the retiree. These amounts are not based on actual costs but instead use actuarial assumptions on pensioner longevity and other factors and as such will be subject to change and will not reflect the actual costs incurred.

The Cash Value costs noted in the table represent the actual costs incurred by the Council for the agreed exit packages. The capitalised added years pension element for members of the Teachers' Pension Scheme is included in the cash value cost as payment is made in advance to the teachers' pension fund to settle this liability.

## The Remuneration Report

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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 90 provides more information on the exit packages agreed in the two financial years.

A handwritten signature in black ink, appearing to read 'Roddy McCuish'.

Roddy McCuish  
**Leader**

A handwritten signature in black ink, appearing to read 'Sally Loudon'.

Sally Loudon  
**Chief Executive**

**28 September 2012**



## Statement of Movement in Reserves

	Usable Reserves (Note 31)				Unusable Reserves (Note 30)						Total Reserves £'000	
	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		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<b>Movements in 2011-12</b>												
<b>Balance at 31 March 2011</b>	<b>(33,907)</b>	<b>(497)</b>	<b>(2,972)</b>	<b>(37,376)</b>	<b>(51,895)</b>	<b>(163,123)</b>	<b>26,227</b>	<b>6,006</b>	<b>7,181</b>	<b>(175,604)</b>	<b>(212,980)</b>	
(Surplus)/Deficit on Provision of Services Other Comprehensive Expenditure and Income	(15,642)			(15,642)	(5,619)		57,154				(15,642)	
<b>Total Comprehensive Expenditure and Income</b>	<b>(15,642)</b>	<b>-</b>	<b>-</b>	<b>(15,642)</b>	<b>(5,619)</b>	<b>-</b>	<b>57,154</b>	<b>-</b>	<b>-</b>	<b>51,535</b>	<b>35,893</b>	
<b>Adjustments between accounting basis and funding basis under regulations:</b>												
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	(6,460)			(6,460)		6,460				6,460	-	
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)		(313)	(755)		755				755	-	
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	2,588			2,588					(2,588)	(2,588)	-	
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)	-	



## Statement of Movement in Reserves

Statutory Repayment of Debt - Loans Fund Advances	19,915																		(19,915)	-
Statutory Repayment of Debt - Finance Leases	157																		(157)	-
Statutory Repayment of Debt - NPDO Finance	1,412																		(1,412)	-
<b>Total Statutory Adjustments</b>	<b>14,996</b>	<b>-</b>	<b>(313)</b>	<b>19,915</b>	<b>2,177</b>	<b>(9,611)</b>	<b>(4,289)</b>	<b>(372)</b>	<b>(2,588)</b>	<b>(14,683)</b>										
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>(646)</b>	<b>-</b>	<b>(313)</b>	<b>(959)</b>	<b>(3,442)</b>	<b>(9,611)</b>	<b>52,865</b>	<b>(372)</b>	<b>(2,588)</b>	<b>36,852</b>										<b>35,893</b>
<b>Other Transfers required by Statute</b>																				
Transfer to/from Other Statutory Reserves	(19)	(35)	193	139															(139)	-
<b>(Increase)/Decrease in Year</b>	<b>(665)</b>	<b>(35)</b>	<b>(120)</b>	<b>(820)</b>	<b>(3,442)</b>	<b>(9,750)</b>	<b>52,865</b>	<b>(372)</b>	<b>(2,588)</b>	<b>36,713</b>										<b>35,893</b>
<b>Balance at 31 March 2012 Carried Forward</b>	<b>(34,572)</b>	<b>(532)</b>	<b>(3,092)</b>	<b>(38,196)</b>	<b>(55,337)</b>	<b>(172,873)</b>	<b>79,092</b>	<b>5,634</b>	<b>4,593</b>	<b>(138,891)</b>										<b>(177,087)</b>

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.

## Statement of Movement in Reserves

	Usable Reserves (Note 31)					Unusable Reserves (Note 30)					Total Reserves	
	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		
	£'000	£'000	£'000	£'000						£'000		£'000
<b>Comparative Movements in 2010-11</b>												
<b>Balance at 31 March 2010</b>	<b>(33,851)</b>	<b>(475)</b>	<b>(2,977)</b>	<b>(37,303)</b>	<b>(46,059)</b>	<b>(150,275)</b>	<b>107,969</b>	<b>6,378</b>	<b>7,064</b>	<b>(74,923)</b>	<b>(112,226)</b>	
(Surplus)/Deficit on Provision of Services	(53,182)			(53,182)	(8,592)		(38,980)			0	(53,182)	
Other Comprehensive Expenditure and Income										(47,572)	(47,572)	
<b>Total Comprehensive Expenditure and Income</b>	<b>(53,182)</b>	<b>-</b>	<b>-</b>	<b>(53,182)</b>	<b>(8,592)</b>	<b>-</b>	<b>(38,980)</b>	<b>-</b>	<b>-</b>	<b>(47,572)</b>	<b>(100,754)</b>	
<b>Adjustments between accounting basis and funding basis under regulations:</b>												
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)	-	



## 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			Note	2011-12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			<b>Service</b>			
111,299	8,442	102,857	Education Services	102,771	7,013	95,758
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	25,535	4,739	20,796
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
<b>282,124</b>	<b>72,504</b>	<b>209,620</b>	<b>Net Cost of Services</b>	<b>308,779</b>	<b>68,587</b>	<b>240,192</b>



## Balance Sheet

1 April 2010	31 March 2011		Note	31 March 2012	
				£'000	£'000
		<b>Long Term Assets</b>			
		Property Plant & Equipment	15		
297,041	301,804	- Other Land and Buildings		296,463	
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	
<b>458,664</b>	<b>475,077</b>	Property Plant & Equipment			<b>475,186</b>
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
<b>463,256</b>	<b>479,957</b>	<b>Total Long Term Assets</b>			<b>486,289</b>
		<b>Current Assets</b>			
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	
<b>29,667</b>	<b>47,527</b>	<b>Total Current Assets</b>			<b>53,303</b>
		<b>Current Liabilities</b>			
(14,156)	(1,751)	Short-term Borrowing	26	(3,225)	
(38,725)	(36,168)	Short-term Creditors	25	(33,082)	
-	(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)	
<b>(55,696)</b>	<b>(44,446)</b>	<b>Total Current Liabilities</b>			<b>(40,865)</b>
		<b>Long-term Liabilities</b>			
(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)	
<b>(325,001)</b>	<b>(270,058)</b>	<b>Total Long-term Liabilities</b>			<b>(321,640)</b>
<b>112,226</b>	<b>212,980</b>	<b>Total Assets less Liabilities</b>			<b>177,087</b>

## Balance Sheet

1 April 2010	31 March 2011		Note	31 March 2012	
				£'000	£'000
		<b>Unusable Reserves</b>	30		
46,059	51,895	- Revaluation Reserve		55,337	
150,275	163,123	- Capital Adjustment Account		172,873	
(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		(4,593)	
<b>74,923</b>	<b>175,604</b>				138,891
		<b>Usable Reserves</b>	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	
<b>37,303</b>	<b>37,376</b>				38,196
<b>112,226</b>	<b>212,980</b>	<b>Total Reserves</b>			<b>177,087</b>

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".

The financial statements were issued on 28 June 2012 and the audited financial statements were authorised for issue on 28 September 2012.



Bruce West  
Head of Strategic Finance  
28 September 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
<b>(53,182)</b>	<b>Net (Surplus) or Deficit on the Provision of Services</b>		<b>(15,642)</b>
28,805	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(354)
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
<b>(19,340)</b>	<b>Net Cash Flows from Operating Activities</b>	36	<b>(6,538)</b>
6,968	Investing Activities	37	21,570
(14,724)	Financing Activities	38	(73)
<b>(27,096)</b>	<b>Net Increase or Decrease in Cash and Cash Equivalents</b>		<b>14,959</b>
(3,350)	Cash and Cash Equivalents at the beginning of the Reporting Period		(30,446)
<b>(30,446)</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	24	<b>(15,487)</b>



## Notes to the Financial Statements

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### 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 (SeRCOP), 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.

## Notes to the Financial Statements

### 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

## Notes to the Financial Statements

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

## Notes to the Financial Statements

- 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.

## Notes to the Financial Statements

### 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.



## Notes to the Financial Statements

### 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, procion 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 that 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 or 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

## Notes to the Financial Statements

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

## Notes to the Financial Statements

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 (i.e. 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.



## Notes to the Financial Statements

### 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.

## Notes to the Financial Statements

### 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)

## Notes to the Financial Statements

- 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.

## Notes to the Financial Statements

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.

## Notes to the Financial Statements

### 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 30 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.

## Notes to the Financial Statements

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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															
<p>Property, Plant and Equipment</p>	<p>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.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>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.</p>															
<p>Pensions Liability</p>	<p>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.</p>	<p>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:</p> <table border="1" data-bbox="895 103 1406 1016"> <thead> <tr> <th data-bbox="895 598 1059 1016">Sensitivities at 31 March 2012</th> <th data-bbox="895 333 1059 598">Approximate % Increase to Employer Obligation</th> <th data-bbox="895 103 1059 333">Approximate monetary amount £'000</th> </tr> </thead> <tbody> <tr> <td data-bbox="1059 598 1147 1016">0.5% decrease in real discount rate</td> <td data-bbox="1059 333 1147 598">9%</td> <td data-bbox="1059 103 1147 333">42,804</td> </tr> <tr> <td data-bbox="1147 598 1235 1016">1 year increase in member life expectancy</td> <td data-bbox="1147 333 1235 598">3%</td> <td data-bbox="1147 103 1235 333">13,471</td> </tr> <tr> <td data-bbox="1235 598 1323 1016">0.5% increase in salary increase rate</td> <td data-bbox="1235 333 1323 598">3%</td> <td data-bbox="1235 103 1323 333">12,893</td> </tr> <tr> <td data-bbox="1323 598 1406 1016">0.5% increase in pension increase rate</td> <td data-bbox="1323 333 1406 598">6%</td> <td data-bbox="1323 103 1406 333">29,485</td> </tr> </tbody> </table>	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 life expectancy	3%	13,471	0.5% increase in salary increase rate	3%	12,893	0.5% increase in pension increase rate	6%	29,485
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 life expectancy	3%	13,471															
0.5% increase in salary increase rate	3%	12,893															
0.5% increase in pension increase rate	6%	29,485															

## Notes to the Financial Statements



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



## Notes to the Financial Statements

### 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
<b>PPP Smoothing Funds:</b>				
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	-	-
<b>Total Ring-fenced for PPP Smoothing Funds</b>	<b>15,327</b>	<b>(15,327)</b>	-	-
<b>Other Ring-fenced Balances:</b>				
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
<b>Total Ringfenced</b>	<b>29,125</b>	<b>(21,164)</b>	<b>21,493</b>	<b>29,454</b>
Unallocated	4,782	-	336	5,118
<b>Total General Fund Balance</b>	<b>33,907</b>	<b>(21,164)</b>	<b>21,829</b>	<b>34,572</b>

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 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)
<b>Total Income</b>	<b>(18,657)</b>	<b>(42,407)</b>	<b>(43,197)</b>	<b>(160)</b>	<b>(104,421)</b>
Employee Expenses	84,217	22,247	15,903	5,468	127,835
Other Operating Expenses	65,916	53,216	60,234	715	180,081
<b>Total Operating Expenses</b>	<b>150,133</b>	<b>75,463</b>	<b>76,137</b>	<b>6,183</b>	<b>307,916</b>
<b>Net Cost of Services</b>	<b>131,476</b>	<b>33,056</b>	<b>32,940</b>	<b>6,023</b>	<b>203,495</b>

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)
<b>Total Income</b>	<b>(23,097)</b>	<b>(41,693)</b>	<b>(44,644)</b>	<b>(373)</b>	<b>(109,807)</b>
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
<b>Total Operating Expenses</b>	<b>163,565</b>	<b>77,790</b>	<b>76,201</b>	<b>7,686</b>	<b>325,242</b>
<b>Net Cost of Services</b>	<b>140,468</b>	<b>36,097</b>	<b>31,557</b>	<b>7,313</b>	<b>215,435</b>

**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
<b>Cost of Services in Service Analysis</b>	<b>203,495</b>	<b>215,435</b>
Add Services not included in Main Analysis	21,400	23,047
Add Amounts not Reported to Management	16,560	(27,268)
Remove Amounts Reported to Management not Included in Comprehensive Income and Expenditure Statement	(1,263)	(1,594)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>240,192</b>	<b>209,620</b>

## Notes to the Financial Statements

### 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)
<b>Total Income</b>	<b>(104,421)</b>	<b>(345)</b>	<b>-</b>	<b>418</b>	<b>(104,348)</b>	<b>(277,205)</b>	<b>(381,553)</b>
Employee Expenses	127,835	4,758	20	-	132,613	-	132,613
Other Service Expenses	180,081	1,585	2,295	(354)	183,607	-	183,607
Depreciation, Amortisation and Impairment	-	-	14,245	-	14,245	-	14,245
Interest Payments	-	-	-	-	-	19,602	19,602
Precepts, Levies and Requisitions	-	15,402	-	(1,327)	14,075	1,327	15,402
Gain or Loss on Disposal of Assets	-	-	-	-	-	442	442
<b>Total Operating Expenses</b>	<b>307,916</b>	<b>21,745</b>	<b>16,560</b>	<b>(1,681)</b>	<b>344,540</b>	<b>21,371</b>	<b>365,911</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>203,495</b>	<b>21,400</b>	<b>16,560</b>	<b>(1,263)</b>	<b>240,192</b>	<b>(255,834)</b>	<b>(15,642)</b>

## Notes to the Financial Statements

<b>2010-11 Comparative Figures</b>	<b>Service Analysis £'000</b>	<b>Services not in Analysis £'000</b>	<b>Not Reported to Management £'000</b>	<b>Not Included in I&amp;E £'000</b>	<b>Total Net Cost of Services £'000</b>	<b>Corporate Amounts £'000</b>	<b>Total £'000</b>
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)
<b>Total Income</b>	<b>(109,807)</b>	<b>(81)</b>	<b>-</b>	<b>170</b>	<b>(109,718)</b>	<b>(282,478)</b>	<b>(392,196)</b>
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, Levies and Requisitions	-	15,386	-	(1,405)	13,981	1,405	15,386
Gain or Loss on Disposal of Assets	-	-	-	-	-	201	201
<b>Total Operating Expenses</b>	<b>325,242</b>	<b>23,128</b>	<b>(27,268)</b>	<b>(1,764)</b>	<b>319,338</b>	<b>19,676</b>	<b>339,014</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>215,435</b>	<b>23,047</b>	<b>(27,268)</b>	<b>(1,594)</b>	<b>209,620</b>	<b>(262,802)</b>	<b>(53,182)</b>

## Notes to the Financial Statements

### 7. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.000m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure 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	2010-11	2011-12	3 year Cumulative £'000
	Actual £'000	Actual £'000	Actual £'000	
Turnover	18,555	19,406	19,944	57,905
Expenditure	17,484	18,805	19,587	55,876
<b>Net Surplus/(Deficit)</b>	<b>1,071</b>	<b>601</b>	<b>357</b>	<b>2,029</b>

#### 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	2010-11	2011-12	3 year Cumulative £'000
	Actual £'000	Actual £'000	Actual £'000	
Turnover	8,470	8,643	6,831	23,944
Expenditure	7,790	8,337	6,509	22,636
<b>Net Surplus/(Deficit)</b>	<b>680</b>	<b>306</b>	<b>322</b>	<b>1,308</b>

## Notes to the Financial Statements

### 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
<b>Total</b>	<b>266</b>	<b>255</b>

### 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
<b>Total</b>	<b>5,056</b>	<b>6,586</b>



## Notes to the Financial Statements

### 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 £4.893m (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 - 2013	5,421
2013 - 2018	28,861
2018 - 2023	32,069
2023 - 2027	23,290
<b>Total</b>	<b>89,641</b>

This equates to £5.418m 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



## Notes to the Financial Statements

### 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
<b>Credited to Taxation and Non Specific Grant Income</b>		
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
<b>Total</b>	<b>225,237</b>	<b>232,913</b>
<b>Credited to Services</b>		
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
<b>Total</b>	<b>32,615</b>	<b>31,915</b>

### 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.

The aim of the Financial Reporting Standard dealing with Related Parties is to highlight instances where influence and control has been exercised over an external organisation over the Council, and where an elected member, their close family or someone in their household, has the ability to exercise the influence or control. Elected members completed a signed declaration on Related Party Interests and these have been used to compile this disclosure.

#### 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.

## Notes to the Financial Statements

### 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
<i>Of these, transactions with the following exceeded £10,000:</i>	
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
<b>Total</b>	<b>1,505</b>

Given the relationships the Council has with other organisations and partners it is possible that some related party transactions may exist. However, the purpose of the requirement to complete the disclosure is to provide additional information to the users of the Financial Statements and, by declaring possible instances, there is no suggestion that any inappropriate transactions have taken place.

## Notes to the Financial Statements

### 15. PROPERTY, PLANT AND EQUIPMENT 15.1 Movement in Property, Plant and Equipment

Movements in 2011-12	Other Land & Buildings & Assets £'000	Vehicles Plant & Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Corporate Surplus Assets £'000	Assets Under Construction £'000	Total 2011-12 £'000
<b>Cost or Valuation</b>							
<b>At 1 April 2011</b>	<b>319,491</b>	<b>17,870</b>	<b>187,181</b>	<b>1,274</b>	<b>14,476</b>	<b>8,597</b>	<b>548,889</b>
Additions	4,818	3,166	8,938	66	61	8,422	25,471
Revaluation increases/(decreases) recognised in the Revaluation Reserve	598	-	-	-	247	-	845
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,602)	-	-	-	(25)	-	(3,627)
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)
<b>At 31 March 2012</b>	<b>319,897</b>	<b>19,940</b>	<b>199,895</b>	<b>1,340</b>	<b>5,506</b>	<b>11,723</b>	<b>558,301</b>
<b>Depreciation and Impairments</b>							
<b>At 1 April 2011</b>	<b>(17,687)</b>	<b>(12,157)</b>	<b>(41,627)</b>	<b>(2)</b>	<b>(2,339)</b>	<b>-</b>	<b>(73,812)</b>
Depreciation Charge for 2011-12	(11,575)	(2,111)	(4,507)	-	(116)	-	(18,309)
Depreciation written out to the Revaluation Reserve	4,712	-	-	-	62	-	4,774
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	700	-	-	-	20	-	720
Derecognition - Disposals	161	1,113	-	-	62	-	1,336
Other movements in depreciation and impairment	255	(1)	-	-	1,922	-	2,176
<b>At 31 March 2012</b>	<b>(23,434)</b>	<b>(13,156)</b>	<b>(46,134)</b>	<b>(2)</b>	<b>(389)</b>	<b>-</b>	<b>(83,115)</b>
<b>Balance Sheet amount at 1 April 2012</b>	<b>296,463</b>	<b>6,784</b>	<b>153,761</b>	<b>1,338</b>	<b>5,117</b>	<b>11,723</b>	<b>475,186</b>
<b>Balance Sheet amount at 1 April 2011</b>	<b>301,804</b>	<b>5,713</b>	<b>145,554</b>	<b>1,272</b>	<b>12,137</b>	<b>8,597</b>	<b>475,077</b>

## Notes to the Financial Statements

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
<b>Cost or Valuation</b>							
<b>At 1 April 2010</b>	<b>312,534</b>	<b>16,171</b>	<b>176,743</b>	<b>1,144</b>	<b>6,573</b>	<b>10,299</b>	<b>523,464</b>
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)
<b>At 31 March 2011</b>	<b>319,491</b>	<b>17,870</b>	<b>187,181</b>	<b>1,274</b>	<b>14,476</b>	<b>8,597</b>	<b>548,889</b>
<b>Depreciation and Impairments</b>							
<b>At 1 April 2010</b>	<b>(15,493)</b>	<b>(11,113)</b>	<b>(37,372)</b>	<b>(2)</b>	<b>(820)</b>	<b>-</b>	<b>(64,800)</b>
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)
<b>At 31 March 2011</b>	<b>(17,687)</b>	<b>(12,157)</b>	<b>(41,627)</b>	<b>(2)</b>	<b>(2,339)</b>	<b>-</b>	<b>(73,812)</b>
<b>Balance Sheet amount at 1 April 2011</b>	<b>301,804</b>	<b>5,713</b>	<b>145,554</b>	<b>1,272</b>	<b>12,137</b>	<b>8,597</b>	<b>475,077</b>
<b>Balance Sheet amount at 1 April 2010</b>	<b>297,041</b>	<b>5,058</b>	<b>139,371</b>	<b>1,142</b>	<b>5,753</b>	<b>10,299</b>	<b>458,664</b>

## Notes to the Financial Statements

### 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	21,737	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
<b>Total Cost or Valuation</b>	<b>296,463</b>	<b>5,117</b>

## Notes to the Financial Statements

### 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
<b>Opening Capital Financing Requirement</b>	<b>264,977</b>	<b>274,020</b>
<b>Capital Investment:</b>		
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	-
<b>Total Capital Investment</b>	<b>25,575</b>	<b>21,201</b>
<b>Sources of Finance:</b>		
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)
<b>Total Funding</b>	<b>(33,935)</b>	<b>(30,244)</b>
<b>Closing Capital Financing Requirement</b>	<b>256,617</b>	<b>264,977</b>

## Notes to the Financial Statements

### 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	1,036
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 42.

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

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

## Notes to the Financial Statements

### 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
<b>Cost or Valuation</b>	
<b>At 1 April 2011</b>	<b>715</b>
Additions	96
Disposals	-
Reclassifications	-
<b>At 31 March 2012</b>	<b>811</b>
<b>Depreciation and Impairments</b>	
<b>At 1 April 2011</b>	<b>(350)</b>
Charge for 2011-12	(129)
Disposals	-
<b>At 31 March 2012</b>	<b>(479)</b>
<b>Balance Sheet amount at 1 April 2012</b>	<b>332</b>
<b>Balance Sheet amount at 1 April 2011</b>	<b>365</b>



## Notes to the Financial Statements

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

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

### 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
<b>Cost or Valuation</b>	
<b>At 1 April 2011</b>	<b>1,290</b>
Acquisitions	-
Disposals	(3)
Net Gains/Losses from fair value adjustments	(1,280)
Transfers	5,640
<b>At 31 March 2012</b>	<b>5,647</b>

## Notes to the Financial Statements

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

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

### 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	-	-
<b>Net gain/(loss)</b>	<b>91</b>	<b>87</b>

## Notes to the Financial Statements

### 19. SCHOOLS NON PROFIT DISTRIBUTING ORGANISATION (NPDO)

During 2007-08 two secondary schools, two joint campuses and one primary campus, developed as part of the non-profit distributing 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
<b>Cost or Valuation</b>	
At 1 April 2011	87,573
Additions	-
Revaluations	-
<b>At 31 March 2012</b>	<b>87,573</b>
<b>Depreciation and Impairments</b>	
At 1 April 2011	(4,387)
Charge for 2011-12	(1,468)
Revaluations	-
<b>At 31 March 2012</b>	<b>(5,855)</b>
<b>Balance Sheet amount at 1 April 2012</b>	<b>81,718</b>
<b>Balance Sheet amount at 1 April 2011</b>	<b>83,186</b>

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

## Notes to the Financial Statements

### 19.2 Schools NPDO Finance Lease Liability

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

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

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

### 19.3 Payments due to Operator under Schools NPDO Contract

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

<b>Future Repayment Periods</b>	<b>Repayment of Liability £'000</b>	<b>Lifecycle Costs £'000</b>	<b>Payment of Interest £'000</b>	<b>Service Charges £'000</b>	<b>Total Payments £'000</b>
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
<b>Total</b>	<b>82,576</b>	<b>6,887</b>	<b>126,829</b>	<b>129,585</b>	<b>345,877</b>

## Notes to the Financial Statements

### 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
<b>Total</b>	<b>304</b>	<b>400</b>

#### 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
<b>Total</b>	<b>1,099</b>	<b>1,379</b>

#### 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
<b>Value at 1 April 2011</b>	<b>200</b>
Additions	-
Depreciation	(158)
<b>Value at 31 March 2012</b>	<b>42</b>

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

## Notes to the Financial Statements

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	-
<b>Total Liabilities at 31 March 2012</b>	<b>42</b>

### 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	-
<b>Value at 31 March 2012</b>	<b>101</b>	<b>548</b>

### 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	-
<b>Total Long Term Debtors</b>	<b>3,800</b>	<b>1,909</b>	<b>1,766</b>

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.

## Notes to the Financial Statements

## 22. DEBTORS

		31 March 2012		31 March 2011	31 March 2010
		£'000	£'000	£'000	£'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	<b>2,189</b>	<b>2,340</b>
	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	<b>326</b>	<b>330</b>
Debtor Accounts		4,243		2,467	6,184
Less: Provision for Bad Debts		(804)		(1,024)	(1,079)
			3,439	<b>1,443</b>	<b>5,105</b>
Net Debtor to Scottish Government for Non Domestic Rates			-	1,355	961
VAT Recoverable from HMRC			3,323	3,130	2,149
Other Debtors			5,972	6,813	6,637
<b>Total Debtors</b>			<b>15,147</b>	<b>15,256</b>	<b>17,522</b>

## 23. ASSETS HELD FOR SALE

	2011-12 £'000	2010-11 £'000
<b>Balance outstanding at start of year</b>	<b>1,722</b>	<b>8,679</b>
Assets newly classified as held for sale (Property, Plant and Equipment)	2,820	1,593
Revaluation losses	(2,273)	(50)
Revaluation gains	-	-
Impairment losses	-	-
Assets declassified as held for sale (Property, Plant and Equipment)	-	(8,500)
Assets Sold	(116)	-
<b>Balance outstanding at year-end</b>	<b>2,153</b>	<b>1,722</b>

## Notes to the Financial Statements

### 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	17,962	34,836	6,645
Bank Current Accounts (Overdraft)	(2,644)	(4,495)	(3,444)
<b>Total Cash and Cash Equivalents</b>	<b>15,487</b>	<b>30,446</b>	<b>3,350</b>

### 25. CREDITORS

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
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	4,593	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
<b>Total Creditors</b>	<b>33,082</b>	<b>36,168</b>	<b>38,725</b>

### 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
<b>Investments and Lending</b>						
Loans and Receivables	3,800	50,634	1,909	45,702	1,764	20,872
<b>Borrowing</b>						
Financial Liabilities at amortised cost	242,148	37,737	242,942	39,464	215,935	50,938



## Notes to the Financial Statements

### 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
<b>Lending</b>						
Loans and Receivables	54,434	54,581	47,611	47,611	22,636	22,636
<b>Borrowing</b>						
Financial Liabilities	279,885	310,724	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 Statement 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.

## Notes to the Financial Statements

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	37,737	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.

## Notes to the Financial Statements

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.

	31 March 2012 £'000	31 March 2011 £'000
<b>Impact on tax-payer</b>		
Increase on interest payable on variable rate borrowings	5	5
Increase in interest receivable on variable rate lending	-	-
Increases in government grant receivable for “loan charges”	-	-
<b>Net effect on Statement of Comprehensive Income &amp; Expenditure</b>	<b>5</b>	<b>5</b>

	31 March 2012 £'000	31 March 2011 £'000
<b>Other accounting presentational changes</b>		
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.

## Notes to the Financial Statements

### 26.10 Short-Term Deposits

The short-term deposits 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 91 to 92.

	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

## Notes to the Financial Statements

### 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)
<b>Total Other Liabilities</b>	<b>(84,938)</b>	<b>1,570</b>	<b>(83,368)</b>
Split:			
Short Term Liabilities (due within 1 year)			(1,449)
Long Term Liabilities (due after 1 year)			(81,919)
<b>Total Other Liabilities</b>			<b>(83,368)</b>

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)
<b>Total Other Liabilities</b>	<b>(86,664)</b>	<b>1,726</b>	<b>(84,938)</b>
Split:			
Short Term Liabilities (due within 1 year)			(1,571)
Long Term Liabilities (due after 1 year)			(83,367)
<b>Total Other Liabilities</b>			<b>(84,938)</b>

## Notes to the Financial Statements

### 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)	81	20	(7)
Utilities Provision	-	(781)			(781)
Other Provisions	-	(215)			(215)
<b>Total Provisions</b>	<b>(4,911)</b>	<b>(2,564)</b>	<b>3,991</b>	<b>234</b>	<b>(3,250)</b>
Split:					
Short Term Provisions (due within 1 year)					(2,831)
Long Term Provisions (due after 1 year)					(419)
<b>Total Other Liabilities</b>					<b>(3,250)</b>

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.

## Notes to the Financial Statements

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 33 - 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



## Notes to the Financial Statements

### 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
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current Service Cost	10,438	12,732
Past Service Cost/(Gain)	-	(42,187)
Settlements and Curtailments	2,931	1,164
<b>Net Operating Expenditure:</b>	<b>13,369</b>	<b>(28,291)</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest Cost	22,516	23,629
Expected Return on Scheme Assets	(26,448)	(25,517)
<b>Total Post Employment Benefit Charged to the surplus or Deficit on the Provision of Services</b>	<b>9,437</b>	<b>(30,179)</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Actuarial (Gains) and Losses	57,154	(38,980)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>66,591</b>	<b>(69,159)</b>
<b>Statement of Movement in Reserves:</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	4,289	42,762
<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>		
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 31 March 2012 is a loss of £102.909m (£45.755m loss in 2010-11).



## Notes to the Financial Statements

### 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
<b>Defined Benefit Obligation at 1 April</b>	<b>408,953</b>	<b>462,085</b>
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)
<b>Defined Benefit Obligation at 31 March</b>	<b>459,779</b>	<b>408,953</b>

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

	2011-12 £'000	2010-11 £'000
<b>Fair Value of Employer Assets at 1 April</b>	<b>382,726</b>	<b>354,116</b>
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)
<b>Fair Value of Employer Assets at 31 March</b>	<b>380,687</b>	<b>382,726</b>

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 £4.105m (2010-11: £28.027m).

### 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
<b>(Deficit) in the Scheme</b>	<b>(598)</b>	<b>(32,517)</b>	<b>(107,969)</b>	<b>(26,227)</b>	<b>(79,092)</b>

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.

## Notes to the Financial Statements

### 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:

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

	2011-12	2010-11
	Years	Years
<b>Mortality assumptions</b>		
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

	2011-12	2010-11
	%	%
<b>Financial Assumptions</b>		
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%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

## Notes to the Financial Statements

### 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	2007-08	2008-09	2009-10	2010-11	2011-12
Scheme	%	%	%	%	%
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	2010-11
	£'000	£'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 28-29.

### 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.

## Notes to the Financial Statements

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 Usable 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
<b>Balance at 1 April 2011</b>	<b>2,785</b>	<b>187</b>	<b>2,972</b>
Proceeds of Disposals	25	288	313
Transfer to Capital Adjustment Account		(139)	(139)
Contribution to Loans Fund Charges		(68)	(68)
Interest Earned	13	1	14
<b>Balance at 31 March 2012</b>	<b>2,823</b>	<b>269</b>	<b>3,092</b>

Comparative Movements in 2010-11	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
<b>Balance at 1 April 2010</b>	<b>2,773</b>	<b>204</b>	<b>2,977</b>
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
<b>Balance at 31 March 2011</b>	<b>2,785</b>	<b>187</b>	<b>2,972</b>

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
<b>Total</b>	<b>497</b>	<b>91</b>	<b>2</b>	<b>(58)</b>	<b>532</b>

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
<b>Total</b>	<b>475</b>	<b>124</b>	<b>2</b>	<b>(104)</b>	<b>497</b>

## Notes to the Financial Statements

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### 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.

## Notes to the Financial Statements

### 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
MacDougall Trust	3	-	604	604
Various Other Trust Funds	6	1	529	529
<b>Total Trust Funds</b>	<b>22</b>	<b>7</b>	<b>1,578</b>	<b>1,578</b>

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. MacDougall 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.

A number of the trust funds administered by Argyll and Bute Council are charitable trusts and as such are required to comply with current Office of the Scottish Charities Regulator (OSCR) financial reporting requirements. Arrangements have been put on place to ensure that all charities administered by Argyll and Bute Council comply and will continue to comply with these requirements.



## Notes to the Financial Statements

### 35. COMMON GOOD FUNDS

The Council administers the Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilhead, 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)
<b>(3)</b>	<b>(Surplus)/Deficit for the Year</b>	<b>1</b>

#### 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 Liabilities	(2)
<b>2,031</b>	<b>Total Assets less Liabilities</b>	<b>2,165</b>
241	Revaluation Reserve	370
1,790	Common Good Fund	1,795
<b>2,031</b>	<b>Total Net Worth</b>	<b>2,165</b>



## Notes to the Financial Statements

### 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
<b>Net (Surplus)/Deficit on Provision of Services</b>	<b>(15,642)</b>	<b>(53,182)</b>
<b>Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:</b>		
Statutory Adjustments through Statement of Movement in Reserves	14,996	53,271
Transfer to/from Other Statutory Reserves	(19)	(145)
Increase/(Decrease) in Inventories	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)
	<b>(354)</b>	<b>28,805</b>
<b>Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:</b>		
Non Cash Capital	11,027	6,763
Capital Element of Finance Lease Payments	(1,569)	(1,726)
	<b>9,458</b>	<b>5,037</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(6,538)</b>	<b>(19,340)</b>
<b>The cash flows for Operating Activities include the following</b>		
Interest Paid on Borrowings	8,673	9,783
Interest Paid on Finance Leases	8,535	8,723
Interest Received on Bank Deposits	(260)	(264)
<b>Net Cash Outflow from Servicing of Finance</b>	<b>16,948</b>	<b>18,242</b>

### 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)
<b>Net Cash Outflow from Investing Activities</b>	<b>21,570</b>	<b>6,968</b>

## Notes to the Financial Statements

### 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
<b>Net Cash Outflow from Financing Activities</b>	<b>(73)</b>	<b>(14,724)</b>

## 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)
<b>46,312</b>	<b>Total</b>	<b>46,737</b>
700	Adjustment to Previous Years' Community Charge and Council Tax	572
<b>47,012</b>	<b>Transfers to General Fund</b>	<b>47,309</b>

## 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	Up to £27,000	67%	785.33
B	£27,001 - £35,000	78%	916.22
C	£35,001 - £45,000	89%	1,047.11
D	£45,001 - £58,000	100%	1,178.00
E	£58,001 - £80,000	122%	1,439.78
F	£80,001 - £106,000	144%	1,701.56
G	£106,001 - £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
<b>Less</b> - 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
<b>Effective Number of Properties</b>	<b>5,856</b>	<b>7,928</b>	<b>7,538</b>	<b>4,957</b>	<b>6,165</b>	<b>3,520</b>	<b>2,398</b>	<b>177</b>	<b>38,539</b>
Band D Equivalent Factor (ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
<b>Band D Equivalent Number of Properties</b>	<b>3,904</b>	<b>6,166</b>	<b>6,700</b>	<b>4,957</b>	<b>7,535</b>	<b>5,084</b>	<b>3,997</b>	<b>354</b>	<b>38,697</b>
<b>Add</b> Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									478
<b>Nominal Tax Yield</b>									<b>39,175</b>
<b>Less</b> Provision for Non-Collection - 2.92%									1,144
<b>Council Tax Base 2011-12 - Number of Band D equivalents</b>									<b>38,031</b>

## 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)
<b>25,473</b>	<b>Net Non-Domestic Rate Income</b>	<b>25,888</b>
-	Adjustment for years prior to introduction of national non-domestic rate pool	-
10,741	Contribution (to)/from national non-domestic rate pool	(306)
<b>36,214</b>	<b>Transfers to General Fund</b>	<b>25,582</b>

## 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
<b>Total Rateable Value</b>	<b>85,653,819</b>	<b>83,448,144</b>

### 2. NON-DOMESTIC RATE CHARGE

	2011-12 Pence	2010-11 Pence
<b>Rate Per Pound</b>	<b>42.6p</b>	<b>40.7p</b>
<b>Supplementary Rate Per Pound for Properties over £35,000</b>	<b>0.7p</b>	<b>0.7p</b>

### 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.

## Group Accounts

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### 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” of 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).

Movements in 2011-12	Argyll and Bute Council							Council's Share of Reserves of Associates £'000	Total Common Good Reserves £'000	Total Reserves £'000
	Usable Reserves			Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves of the Council £'000	Council's Share of Reserves of Associates £'000			
	General Fund Balance	Repairs and Renewals Fund	Capital Funds							
	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
<b>Balance at 31 March 2011</b>	<b>(33,907)</b>	<b>(497)</b>	<b>(2,972)</b>	<b>(37,376)</b>	<b>(175,604)</b>	<b>(212,980)</b>	<b>195,717</b>	<b>(2,031)</b>	<b>(19,294)</b>	
Surplus/(Deficit) on Provision of Services	(15,642)	-	-	(15,642)	-	(15,642)	14,329	91	(1,222)	
Other Comprehensive Expenditure and Income	-	-	-	-	51,535	51,535	218	(225)	51,528	
<b>Total Comprehensive Expenditure and</b>	<b>(15,642)</b>	<b>0</b>	<b>0</b>	<b>(15,642)</b>	<b>51,535</b>	<b>35,893</b>	<b>14,547</b>	<b>(134)</b>	<b>50,306</b>	
<b>Total Statutory Adjustments (See Page 28)</b>	<b>14,996</b>	<b>-</b>	<b>(313)</b>	<b>14,683</b>	<b>(14,683)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>(646)</b>	<b>-</b>	<b>(313)</b>	<b>(959)</b>	<b>36,852</b>	<b>35,893</b>	<b>14,547</b>	<b>(134)</b>	<b>50,306</b>	
<b>Other Transfers required by Statute</b>										
Transfer to/from Other Statutory Reserves	(19)	(35)	193	139	(139)	-	-	-	-	
<b>(Increase)/Decrease in Year</b>	<b>(665)</b>	<b>(35)</b>	<b>(120)</b>	<b>(820)</b>	<b>36,713</b>	<b>35,893</b>	<b>14,547</b>	<b>(134)</b>	<b>50,306</b>	
<b>Balance at 31 March 2012 Carried Forward</b>	<b>(34,572)</b>	<b>(532)</b>	<b>(3,092)</b>	<b>(38,196)</b>	<b>(138,891)</b>	<b>(177,087)</b>	<b>210,264</b>	<b>(2,165)</b>	<b>31,012</b>	

The Council's Statement of Movement in Reserves on pages 28 to 29 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 £'000	Total Common Good Reserves £'000
	Usable Reserves			Total Unusable Reserves £'000	Total Reserves of the Council £'000	Total Reserves of Associates £'000	Total Reserves £'000		
	General Fund Balance £'000	Repairs and Renewals Fund £'000	Capital Funds £'000						
				£'000	£'000	£'000	£'000		
<b>Balance at 31 March 2010</b>	<b>(33,851)</b>	<b>(475)</b>	<b>(2,977)</b>	<b>(37,303)</b>	<b>(74,923)</b>	<b>(112,226)</b>	<b>226,733</b>	<b>(1,998)</b>	<b>112,509</b>
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)
<b>Total Comprehensive Expenditure and</b>	<b>(53,182)</b>	<b>0</b>	<b>0</b>	<b>(53,182)</b>	<b>(47,572)</b>	<b>(100,754)</b>	<b>(31,016)</b>	<b>(33)</b>	<b>(131,803)</b>
<b>Total Statutory Adjustments (See Page 30)</b>	<b>53,271</b>	<b>-</b>	<b>(174)</b>	<b>53,097</b>	<b>(53,097)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>89</b>	<b>-</b>	<b>(174)</b>	<b>(85)</b>	<b>(100,669)</b>	<b>(100,754)</b>	<b>(31,016)</b>	<b>(33)</b>	<b>(131,803)</b>
<i>Other Transfers required by Statute</i>									
Transfer to/from Other Statutory Reserves	(145)	(22)	179	12	(12)	-	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>(56)</b>	<b>(22)</b>	<b>5</b>	<b>(73)</b>	<b>(100,681)</b>	<b>(100,754)</b>	<b>(31,016)</b>	<b>(33)</b>	<b>(131,803)</b>
<b>Balance at 31 March 2011 Carried Forward</b>	<b>(33,907)</b>	<b>(497)</b>	<b>(2,972)</b>	<b>(37,376)</b>	<b>(175,604)</b>	<b>(212,980)</b>	<b>195,717</b>	<b>(2,031)</b>	<b>(19,294)</b>

The Council's Statement of Movement in Reserves on pages 30 to 31 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 28 to 31.

2010-11			Note	2011-12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
111,299	8,442	102,857	Service	102,771	7,013	95,758
40,024	25,465	14,559	Education Services	31,336	26,615	4,721
13,649	2,629	11,020	Housing Services (Non-HRA)	12,143	2,449	9,694
21,812	4,223	17,589	Cultural and Related Services	25,535	4,739	20,796
28,288	7,324	20,964	Environmental Services	25,411	6,735	18,676
8,418	4,324	4,094	Roads and Transport Services	7,425	4,435	2,990
11,239	6,197	5,042	Trading Services	10,452	5,845	4,607
63,461	12,652	50,809	Planning and Development Services	64,775	9,549	55,226
4,734	140	4,594	Social Work	3,945	17	3,928
(37,260)	2	(37,262)	Central Services:	8,373	1	8,372
2,638	1,106	1,532	- Corporate and Democratic Core	2,777	1,189	1,588
8,927	-	8,927	- Non Distributed Costs	9,168	-	9,168
4,984	-	4,984	- Central Services to the Public	4,839	-	4,839
42,841	58,643	(15,802)	Strathclyde Police Joint Board	45,036	30,707	14,329
			Strathclyde Fire and Rescue Joint Board			
			Associates Accounted for on an Equity Basis			
<b>325,054</b>	<b>131,147</b>	<b>193,907</b>	<b>Net Cost of Services</b>	<b>353,986</b>	<b>99,294</b>	<b>254,692</b>

## Group Statement of Comprehensive Income and Expenditure

				442
				(46)
				1,000
				<b>1,396</b>
				19,602
				(434)
				(3,932)
				<b>15,236</b>
				(187,818)
				(11,837)
				(25,582)
				(47,309)
				<b>(272,546)</b>
				<b>(1,222)</b>
				(5,844)
				57,154
				218
				<b>51,528</b>
				<b>50,306</b>

## Group Balance Sheet



1 April 2010 £'000	31 March 2011 £'000		31 March 2012	
			£'000	£'000
		<b>Long Term Assets</b>		
297,041	301,804	Property Plant & Equipment		
5,058	5,713	- Other Land and Buildings	296,463	
139,371	145,554	- Vehicles, Plant, Furniture and Equipment	6,784	
1,274	1,290	- Infrastructure Assets	153,761	
5,753	12,137	- Community Assets	1,581	
10,299	8,597	- Surplus Assets	5,117	
		- Assets Under Construction	11,723	
<b>458,796</b>	<b>475,095</b>	Property Plant & Equipment		<b>475,429</b>
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		2,557
<b>467,855</b>	<b>484,522</b>	<b>Total Long Term Assets</b>		<b>490,855</b>
		<b>Current Assets</b>		
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	
<b>29,726</b>	<b>47,587</b>	<b>Total Current Assets</b>		<b>53,361</b>
		<b>Current Liabilities</b>		
(12,495)	(355)	Short-term Borrowing	(3,126)	
(40,263)	(37,425)	Short-term Creditors	(33,083)	
-	(280)	Capital Grant Receipts in Advance	(278)	
(1,088)	(4,676)	Provisions	(2,831)	
(1,727)	(1,571)	Other Short Term Liabilities	(1,449)	
<b>(55,573)</b>	<b>(44,307)</b>	<b>Total Current Liabilities</b>		<b>(40,767)</b>
		<b>Long-term Liabilities</b>		
(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	(212,821)	
(107,969)	(26,227)	Other Long-term liabilities (Pensions)	(79,092)	
<b>(554,517)</b>	<b>(468,508)</b>	<b>Total Long-term Liabilities</b>		<b>(534,461)</b>
<b>(112,509)</b>	<b>19,294</b>	<b>Total Assets less Liabilities</b>		<b>(31,012)</b>

## Group Balance Sheet



1 April 2010 £'000	31 March 2011 £'000		31 March 2012	
			£'000	£'000
		<b>Unusable Reserves</b>		
46,059	51,895	- Revaluation Reserve	55,562	
150,275	163,123	- Capital Adjustment Account	172,873	
(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	(4,593)	
<b>74,923</b>	<b>175,604</b>			139,116
		<b>Usable Reserves</b>		
2,977	2,972	- Capital Funds	3,092	
475	497	- Repairs and Renewals Funds	532	
33,851	33,907	- General Fund Balance	34,572	
<b>37,303</b>	<b>37,376</b>			38,196
<b>(226,733)</b>	<b>(195,717)</b>	<b>Group Reserves</b>		(210,264)
<b>1,998</b>	<b>2,031</b>	<b>Common Good Reserves</b>		1,940
<b>(112,509)</b>	<b>19,294</b>	<b>Total Reserves</b>		<b>(31,012)</b>

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 September 2012

## Notes to the Group Financial Statements

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### 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 37 to 49.

- 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.



## Notes to the Group Financial Statements

### 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 £208.099m. This gives an overall net liability position for the Group of £31.012m. 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
<b>Total Pension Liability of Associates</b>	<b>5,617.935</b>	<b>224.174</b>

The Police and Fire and Rescue 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 and Rescue 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 £37.754m as its representative share of the Balance Sheet

## Notes to the Group Financial Statements

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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, South Lanarkshire Council, Almada Street, Hamilton ML3 0AA.

### **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 £2.490m 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 £0.883m 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.



## Notes to the Group Financial Statements

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)	(0.153)	(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	(1.856)	(0.312)

### 7. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure (pages 32 to 33) 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 35 of the Notes to the Financial Statements on page 92 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £1.940m.

### 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 36. 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.

### 9. SCOTTISH POLICE AND FIRE REFORM

The Police and Fire Reform (Scotland) Act 2012 has been granted Royal Assent. This Act creates a single Police Service of Scotland and a single Scottish Fire and Rescue Service to serve local communities and meet the demands and challenges of the 21<sup>st</sup> century.

The formation of the new single police and fire and rescue services will take place from 1 April 2013, from that date Strathclyde Police Joint Board and Strathclyde Fire and Rescue Board will cease operating.

## Independent Auditor's Report

### Independent auditor's report to the members of Argyll and Bute Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Argyll and Bute Council and its group for the year ended 31 March 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority only Statements of Movement in Reserves, the Statements of Comprehensive Income and Expenditure Statements, and Balance Sheets, the Cash-Flow Statement, the Council Tax Income Account, and the Non-domestic Rate Account, the Common Good Funds, the Trust Funds and Other Third Party Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Head of Strategic Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Strategic Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of the group and of the body as at 31 March 2012 and of the income and expenditure of the group and the body for the year then ended;
- have been properly prepared in accordance with IFRS's as adopted by the European Union, as interpreted and adapted by the 2011/12 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

## Independent Auditor's Report

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### Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement of Governance and Internal Control does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

A handwritten signature in black ink that reads 'Fiona Mitchell-Knight'.

Fiona Mitchell-Knight FCA  
Assistant Director, Audit Services  
Audit Scotland  
7<sup>th</sup> Floor, Plaza Tower  
East Kilbride  
Glasgow  
G74 1LW

28 September 2012

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**EXTERNAL AUDIT ANNUAL REPORT**

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**1 SUMMARY**

- 1.1 This report introduces the external auditors annual audit report for 2011/12.

**2 RECOMMENDATION**

- 2.1 The external audit annual report for 2011/12 is noted.

**3 DETAIL**

- 3.1 The report is the summary of the external auditor's findings arising from the 2011/12 audit of Argyll and Bute Council. The report is addressed to the members and the Controller of Audit. The nature and scope of the audit were outlined in the Audit Plan presented to the Audit Committee in March 2012, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual report is to summarise the audit opinion on the financial statements and to report any significant issues arising.
- 3.2 A number of reports have been issued in the course of the year in which recommendations for improvements were made and these have been reported or will be reported to the Audit Committee. Implementation of the actions in these reports is also monitored by the Audit Committee. This final report focuses on the financial statements and any significant findings from the wider audit review of Argyll and Bute Council. Appendix B of the report is an action plan setting out the high level risks we have identified from the audit.
- 3.4 The key findings are summarised below but members are requested to read the detailed report (attached) to gain full understanding of the findings of the external auditor.
- The external auditor has given an unqualified opinion that the financial statements of Argyll and Bute Council for 2011/12 give a true and fair view of the financial position and expenditure and income of the council and its group for the year.
  - Financial management arrangements have operated effectively during the year.
  - Overall, they are satisfied with the council's governance arrangements.
  - Scotland's public bodies continue to face increasing demand and cost pressures for their services and this is likely to continue in the future.
  - Argyll and Bute Council moves forward from a sound financial base in terms of reserves and control of expenditure and with clear plans to maintain financial stability.

- The Welfare Reform Act 2012 will bring about the biggest reform of the UK welfare system for 60 years. The introduction of the Universal Credit will have a significant impact on the Council's strategies and plans in areas such as housing, asset management, finance, ICT and customer services.

Bruce West  
Head of Strategic Finance  
1 November 2012

# Argyll and Bute Council

## Annual report on the 2011/12 audit



Prepared for Members of Argyll and Bute Council and the Controller of Audit  
October 2012

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.



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# Key messages

## 2011/12 audit findings

This report summarises the findings from our 2011/12 audit of Argyll and Bute Council. As part of the audit we assessed the key financial and strategic risks being faced by the council. We audited the financial statements and reviewed the council's financial position and aspects of governance, best value, the use of resources and performance. This report sets out our key findings.

We have given an unqualified opinion that the financial statements of Argyll and Bute Council for 2011/12 give a true and fair view of the financial position and expenditure and income of the council and its group for the year. We also certify that the accounts have been prepared in accordance with relevant legislation, applicable accounting standards and other reporting requirements.

Financial management arrangements have operated effectively during the year. The financial position at 31 March 2012 is more favourable than was anticipated in the budget. Usable reserves have increased by £0.820 million to £38.196 million.

The initial 2011/12 budget planned to use £5.870 million of general fund reserves to balance the budget, mainly to fund the one-off severance costs. This was later revised to an estimated £2.403 million. The final reported outturn was an increase in the general fund of £0.665 million, a net underspend against the revised budget of £3.068 million. Departmental controllable expenditure was £1.220 million below budget. There were also savings in loan charges of £1.156 million and an increase in council tax income of £0.692 million.

Due to the underspend the general fund increased to £34.572 million as at 31 March 2012. This balance includes earmarked commitments of £29.454 million and an unallocated general fund balance of £5.118 million. The unallocated balance represents 2.0% of the Council's budgeted net expenditure for 2012/13. This is in accordance with the council's policy to maintain an unallocated balance in the general fund of at least 1.5% of budgeted net revenue expenditure.

There was minor slippage on the Capital Plan in 2011/12 but the council is making progress on major projects in line with its three year capital plans. In February 2012 the council agreed to increase capital expenditure in the two areas which the majority of its residents see as being the top spending priorities; education and roads. The council has approved plans to spend £30 million on education and £21 million on roads over the next three years.

Overall, we are satisfied with the council's governance arrangements. Following the May elections the members approved a change to the committee structure. Powers that were previously delegated to the Executive Committee have now reverted to the full Council. They also decided to replace the Policy and Performance groups with a Performance Review and Scrutiny Committee.

A review of existing improvement processes has been undertaken, including Public Service Improvement Framework findings, all external and internal audits, the Assurance and Improvement Plan, the previous Corporate Improvement Plan, and several national policy initiatives likely to have an impact over the course of the next year. A draft of a Corporate Improvement Plan is currently being prepared which is drawn from the information collated from the actions above along with a review of the scope of the current Transformation Programme. This will bring together all corporate improvement activity into a single Corporate Improvement Plan.

## Outlook

Scotland's public bodies continue to face increasing demand and cost pressures for their services and this is likely to continue in the future. An ageing population, the effects of the recession and the heightened expectations of the public, all increase the demand for public services. These, together with cost pressures and existing financial commitments, place an additional burden on the capacity of public bodies to provide efficient and quality services at a time when budgets are reducing.

Argyll and Bute Council moves forward from a sound financial base in terms of reserves and control of expenditure and with clear plans to maintain financial stability. The council has adopted a strategic 3 year approach to managing its budgetary position and has prepared budgets for the period to 2014/15. In February 2012, the council approved a revenue budget of £255.851 million for 2012/13, with approved budget savings across services of £6.425 million, resulting in a budgeted surplus of £3.760 million for the year. The council also approved a balanced position in 2013/14 and a surplus of £0.014 million in 2014/15. The budgets include all savings planned as part of the 3 year programme of service reviews.

In this environment, the Welfare Reform Act 2012 will bring about the biggest reform of the UK welfare system for 60 years. The introduction of the Universal Credit will have a significant impact on councils' strategies and plans in areas such as housing, asset management, finance, ICT and customer service. As part of our work on the 2012/13 audit, we will consider the council's preparations for introduction of these changes, and how it is developing and taking forward its strategies and plans to address the risks arising from these changes.

# Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Argyll and Bute Council. The nature and scope of the audit were outlined in the Audit Plan presented to the Audit Committee in March 2012, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of Argyll and Bute Council.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the council understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to the members and the Controller of Audit and should form a key part of discussions with audit committees, either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. Reports should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament).
6. The management of Argyll and Bute Council is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

# Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
  - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
  - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including [the directors' report, annual governance statement, statement on internal control or statement on internal financial control and the remuneration report]. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

## Audit opinion

10. We have given an unqualified opinion that the financial statements of Argyll and Bute Council for 2011/12 give a true and fair view of the state of the affairs of the council and its group as at 31 March 2012 and of the income and expenditure for the year then ended.

## Legality

11. Through our planned audit work we consider the legality of the council's financial transactions. In addition the Head of Strategic Finance confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the council's management team, the financial transactions of the council were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

## Statement of governance and internal control

12. We are satisfied with the disclosures made in the statement of governance and internal control and the adequacy of the process put in place by the council to obtain the necessary assurances.

## Remuneration report

13. In 2010/11 the Scottish Government introduced a Remuneration Report into the financial statements. This required the disclosure of salary including bonuses, benefits in kind, compensation for loss of office, pension contributions and benefits for senior officers, senior members and anyone not otherwise included earning over £150,000 per year. Auditors are

required to audit part of the Remuneration Report and give a separate opinion within their report on the financial statements on whether it has been properly prepared.

14. From 2011/12, authorities are required to include in the report, summary information in relation to exit packages, including compulsory and voluntary redundancy costs, ex-gratia payments and other departure costs. The Remuneration Report submitted for audit did not include the total cost to the council of added years pension costs relating to non-teaching staff retiring early in 2011/12. The matter was resolved through discussion with officers and the disclosures were added to the revised Remuneration Report for both 2011/12 and 2010/11.
15. We are now satisfied that the Remuneration Report for 2011/12 has been prepared in accordance with Local Authority Accounts (Scotland) Regulations 1985 and the Scottish Government finance circular 8/2011 and includes all required disclosures.

## Accounting issues

16. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). We are satisfied that the council prepared the 2011/12 financial statements in accordance with the 2011 Code. The council adjusted the financial statements to reflect audit findings. As is normal practice, immaterial unadjusted errors have been reported to the Head of Strategic Finance and the Audit Committee.

## Accounts submission

17. The council's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. Final accounts preparation processes and working papers were generally of a high standard which enabled the audit to progress smoothly and allowed us to conclude the audit and certify the financial statements by the target date of 30 September 2012. The financial statements are now available for presentation to members and publication.

## Presentational and monetary adjustments to the unaudited accounts

18. A number of adjustments have been made to the 2011/12 unaudited financial statements in accordance with normal audit practice. These adjustments primarily related to reclassifications within the balance sheet and have not had any impact on the general fund balance of the council. Several unadjusted errors were also identified during the audit, where if adjustments were made these would have a net effect of reducing the net assets on the balance sheet by £0.102 million and reducing the surplus on provision of services by the same amount, with a corresponding impact on the general fund balance.
19. A number of presentational amendments were, however, made to improve the disclosures within the financial statements. The most significant of the changes was to amend the remuneration report to include the total cost to the council of added years pension costs relating to non-teaching staff retiring early in 2011/12, referred to at paragraph 14 above. Some of the remaining key issues from our audit are included in the following paragraphs.

## Refuse Disposal Sites

20. Valuations provided after the accounts had been prepared in respect of three landfill sites on Mull, Islay and Tiree included significant liabilities for future expenditure on restoration and aftercare, resulting in negative asset valuations for two of the three sites. Following discussion with officers and consideration of accounting guidance in this area, it was agreed that the sites should be impaired to the land and buildings asset values provided by the Valuation Office Agency. With regard to estimated future expenditure for restoration and aftercare, we agreed that the treatment will be kept under review going forward. The impairments are now reflected in the updated financial statements.

## Prior year adjustments

21. For the first time in 2011/12 the Code required local authorities to account for tangible heritage assets in accordance with Financial Reporting Standard 30: Heritage assets. Heritage assets are those that are intended to be preserved in trust for future generations and are held and maintained principally for their contribution to knowledge and culture. This change 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.

## Equal Pay Provision

22. The Equal Pay Act 1970 makes it unlawful for employers to discriminate between men and women in terms of their pay and conditions where they are doing the same or similar work, work rated as equivalent, or work of equal value. Employees who consider that they have been discriminated against in terms of pay can put forward claims to an employment tribunal. The ultimate cost to the council remains uncertain and it is likely that resolution of the issue will take some time. As the tribunal process unfolds the extent of the council's eventual liability will become clearer. The council's equal pay provision at 31 March 2012 of £0.191 million is based on full provision for all known claims against the council. The council have disclosed a contingent liability for any additional future claims that may potentially arise and will review the equal pay provision on an annual basis.

**Refer Action Plan No 1**

## Pension costs

23. The net assets on the council's balance sheet have decreased from £212.980 million in 2010/11 to £180.177 million in 2011/12, a reduction of £32.803 million. The principal reason for this decrease is due to the £52.865 million increase in the pension liability from £26.227 million to £79.092 million. This is also reflected in the balance sheet for the group. The pension liability represents the difference between the expected future payments to be made to former employees of the council and their spouse in the form of pension payments and the underlying value of pension fund assets to meet this cost. The calculation of the liability is assessed by professional actuaries each year and is an estimated figure.



24. The large increase in the pension liability in 2011/12 is due to financial assumptions about the cost of pension payments being less favourable at March 2012 than they were at March 2011 which has the effect of increasing the overall cost of pensions. In addition, the level of assumptions applied by the Actuary to the expected return on pension fund assets was more favourable than actual returns in most cases. Both these factors have contributed to the increase in the net liability faced by the council. The movement in the council's liability in respect of pensions in recent years is set out in the table at Exhibit 1.

#### Exhibit 1: Pensions liability movement history

Balance sheet as at	Liability £ million	Increase/Decrease over previous year
31 March 2007	36.228	
31 March 2008	0.598	-98%
31 March 2009	32.517	5,338%
31 March 2010	107.969	232%
31 March 2011	26.227	-76%
<b>31 March 2012</b>	<b>79.092</b>	<b>202%</b>

Source: Argyll and Bute financial statements

25. This additional liability does not have any immediate impact on the council's financing requirements. The council will continue to make annual contributions to the Pension Fund, through employer contributions, in accordance with triennial valuations carried out by the actuaries.

#### Trade Receivables

26. In their report on the 2010/11 Audit, the auditors recommended that the bad debt provision (BDP) methodology should be reviewed on an annual basis, including a review of significant individual debtors for impairment. Our follow-up review identified
- That for 2011/12 there was a specific write off of bad debt of £305,000
  - All debt on the "old" debtors system has a full 100% BDP
  - The BDP for debt over one year old varies from 55% (12-24 months) to 70% (24 to 36 months) and 80% to 100% (36 to 60 months) and these are the same percentages applied in 2010/11
  - Currently there are debtor balances of £159,390 over 12 months old that have not been fully provided for.
27. Our experience of the level of BDP in other councils suggests the percentage provisions for bad debt are lower than other councils. Taking all of this into account there is a risk that the



BDP is understated but not by a material amount. In resolution of this issue, officers have agreed that the basis of calculating the BDP will be reviewed annually.

### Trade Payables

28. Trade payables included within the financial statements include £214,083 relating to capital creditors brought forward from previous years and for which no supporting documentation is available. Following discussion with officers, we are advised that these brought forward creditors relate primarily to retentions for work carried out. We have also established that all capital creditors raised in 2011/12 can be agreed to listings of individual projects which split the amounts between retentions, fees and final payments. We are however unable to confirm that the brought forward capital creditors are valid entries in the financial statements and £214,083 has been included in the total of Unadjusted Errors at paragraph 18 above. Officers have agreed that for 2012/13, the capital creditors balance brought forward will be reviewed at an early date.

### Group accounts

29. The diversity of service delivery vehicles means that consolidated group financial statements are required to give a true and fair view of the activities of the council. The council has 5 associates: Strathclyde Joint Police Board, Strathclyde Fire and Rescue Joint Board, Dunbartonshire and Argyll & Bute Valuation Joint Board, Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee. These have been included in group accounts in accordance with the Code. The overall effect of inclusion of these group entities is to reduce net worth by £208.099 million giving the group a negative net worth of £31.012 million at 31 March 2012. This is primarily due to the IAS 19 pension liabilities within the associates' single entity accounts.

### Whole of Government Accounts

30. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The council submitted the consolidated pack to the Scottish Government prior to the deadline of 29 July and the audited return was completed by the audit deadline of 5 October.

# Financial position

31. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
32. Auditors consider whether audited bodies have established adequate arrangements and examine:
  - financial performance in the period under audit
  - compliance with any statutory financial requirements and financial targets
  - ability to meet known or contingent, statutory and other financial obligations
  - responses to developments which may have an impact on the financial position
  - financial plans for future periods.
33. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

34. In 2011/12 the council spent £256.904 million on the provision of public services, resulting in an accounting surplus of £15.642 million. This surplus includes capital grants received and other amounts totalling £14.977 million that are specified by statutory provisions as being available to meet future capital and revenue expenditure. The net revenue surplus for 2011/12 was £0.665 million.

## Budgetary control

35. In 2011/12 there was a net underspend against the revised budget of £3.068 million (1.1%). Departmental controllable expenditure was £1.220 million below budget. There were also savings in loan charges of £1.156 million and an increase in council tax income of £0.692 million.
36. The initial 2011/12 budget planned to use £5.870 million of general fund reserves to balance the budget, mainly to fund the one-off severance costs. However, due to the net underspend noted above plus budget adjustments during the year and movements in the amount of earmarked reserves, the general fund increased by £0.665 million during the year.
37. The council has two significant trading operations: Roads and Lighting and Catering and Cleaning. Both achieved their statutory objective of achieving a breakeven financial position over a rolling three year period.

## Financial position

38. Exhibit 2 shows the balances in the council's funds at 31 March 2012 compared to the previous year. Funds include a capital fund which may be used to defray capital expenditure

or repay loan principal. The council's funds at 31 March 2012 totalled £38.196 million, an increase of £0.820 million on the previous year.

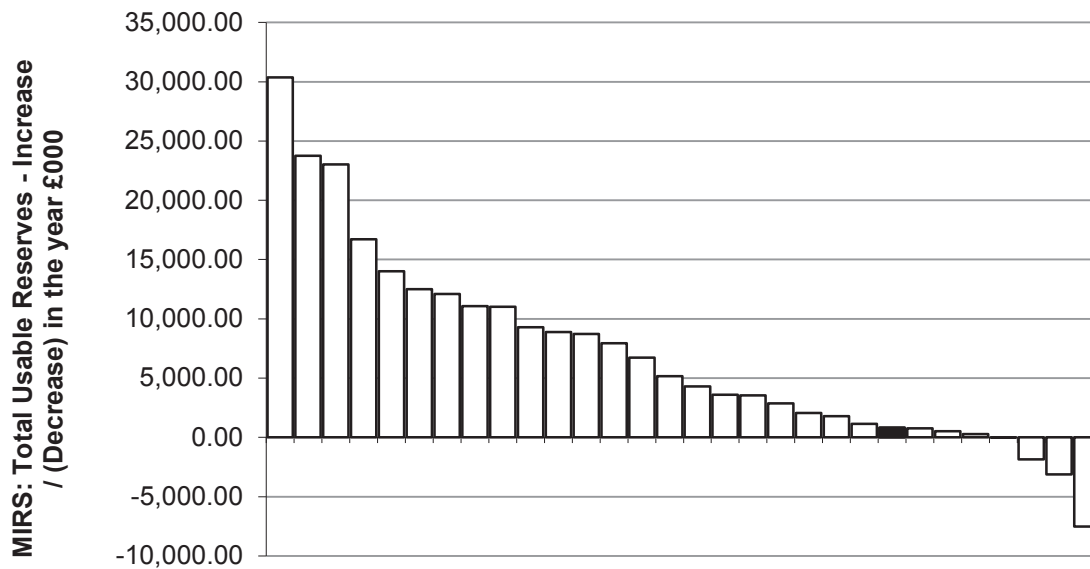
### Exhibit 2: Reserves

Description	31 March 2011 £ million	31 March 2012 £ million
General Fund	33.907	34.572
Capital Funds	2.972	3.092
Repairs and Renewals Funds	0.497	0.532
<b>Total</b>	<b>37.376</b>	<b>38.196</b>

Source: Argyll and Bute Council 2011/12 financial statements

39. The general fund balance increased by £ 0.665million during the year to a balance of £34.572 million which equates to 14.4% of the council's net cost of services. Of this balance £29.454 million has been earmarked for specific purposes. This leaves an unallocated balance of £5.118 million. This equates to 2% of the budgeted net revenue expenditure for 2012/13. This is in accordance with the council's policy to maintain an unallocated balance in the general fund of at least 1.5% of budgeted net revenue expenditure.
40. The balances previously earmarked for the NPDO and Waste Management PPP Smoothing funds of £15.327 million were removed with £12.5 million being earmarked as a contribution to capital to fund the Dunoon and Campbeltown schools, as agreed by the council in February 2012 as part of the 2012/13 budget setting process.
41. Exhibit 3 below shows the movement in total usable reserves across all Scottish councils between 2010/11 and 2011/12. The increase in reserves for Argyll and Bute (highlighted in black) is modest compared to other councils; this does not give rise to any audit concerns.

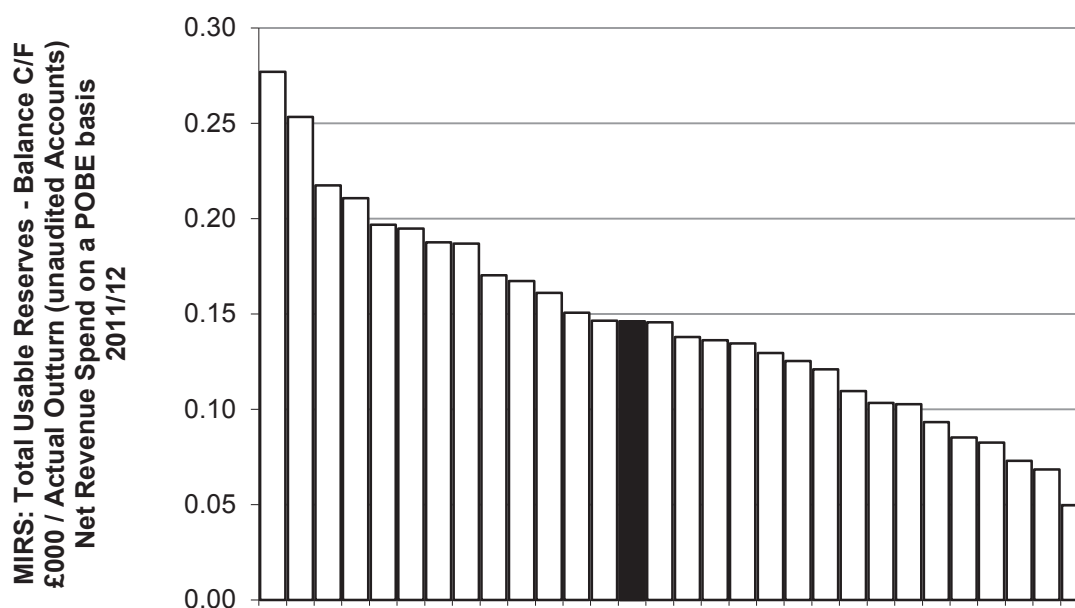
### Exhibit 3: Movement in total Usable Reserves



Source: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

42. Exhibit 4 below presents the council's usable reserves position in relation to net revenue spend for the year in comparison to other Scottish local authorities. The council needs to ensure that the level of its reserves strikes a balance between meeting current obligations and preparing for future commitments or reductions in funding. The graph demonstrates that Argyll and Bute Council (highlighted in black) lies around the median in relation to this financial ratio, indicating that the council has made an average budgetary provision for future years' expenditure. The council will however need to ensure that earmarked funds are used for the intended purpose, or where appropriate, an alternative use is found.

#### Exhibit 4: Usable Reserves carried forward as a proportion of net revenue spend



Source: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

### Capital investment and performance 2011/12

43. Capital expenditure per the capital plan in 2011/12 totalled £25.575 million compared with a budget of £26.962 million giving an underspend of £1.387 million (5%). Three projects accounted for most of the slippage; two carbon management projects where there was a longer than anticipated manufacturing time for the biomass plant and an IT centre where negotiations are continuing with the property owner over the purchase.
44. The Capital Plan for 2012/13 is £35.4 million. The current forecast outturn position as at the end of June 2012 is a forecast underspend of £3.249 million. However, this underspend relates mainly to the Helensburgh office project. A weather related decision was taken to delay construction until January 2013. Therefore a smaller number of contract payments are likely in 2012/13.
45. At the budget setting meeting in February 2012 the council committed an additional £8.2 million for roads reconstruction giving a total spend of £21 million over the three year period. They also committed an additional £2.1 million to education giving a total spend of £17 million over the next 3 years. In addition £12.5 million has been earmarked as a contribution to capital to fund the council's contribution to the replacement of Campbeltown Grammar School and Dunoon Primary School. The new schools will be delivered through a special purpose vehicle (hubco) under the 'Scotland's Schools for the Future' programme. The council will be required to make an up front payment to hubco to contribute to the capital costs of

constructing the new facilities. The council is also progressing the CHORD programme to assist with regeneration and economic development of 5 of the main waterfront towns: Campbeltown, Helensburgh, Oban, Rothesay and Dunoon.

46. In August 2012, the council agreed an £18 million housing investment to open up access to suitable affordable housing in the area. Six initiatives including a Local Authority Mortgage Scheme and an Empty Homes Strategy aim to bring back into use 10 unused properties per year. It will be funded using £8.35 million from the Strategic Housing Fund along with up to £9.5 million of loan funding.
47. Funding for the council's capital programmes is derived, in the main, from general and specific grant, capital receipts and borrowing. The chart at Exhibit 5 shows the sources of capital expenditure funding for the period 2010/11- 2011/12.

#### Exhibit 5: Sources of capital expenditure funding 2010/11 - 2011/12

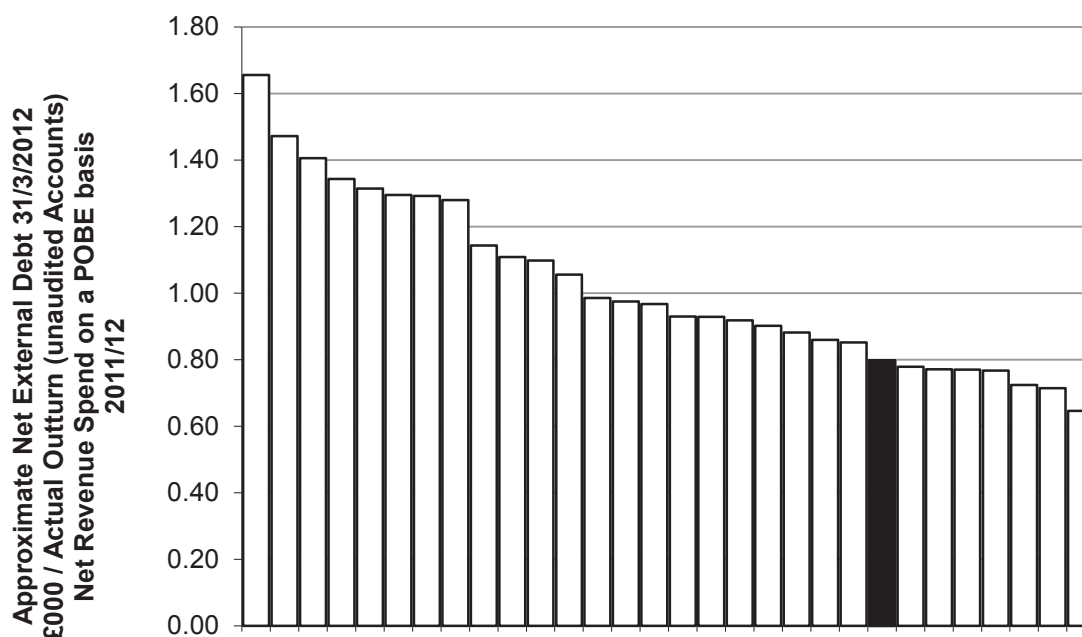
	2010/11 Actual £000	2011/12 Actual £000
Capital expenditure	21,201	25,575
Resourced by:		
Capital receipts	0	0
Capital grants	7,095	11,479
Revenue	915	124
Borrowing	13,191	13,972

Source: Argyll and Bute Council 2011/12 financial statements

### Treasury management

48. As at 31 March 2012 the council held cash and temporary investments totalling £37.962 million (£34.836 million at 31 March 2011). £20 million was held in a one year fixed rate bond.
49. The council's borrowing was £160.763 million as at 31 March 2012 compared to £160.725 million as at 31 March 2011. The majority of this was financed by the Public Works Loan Board with the remainder coming mainly from the money market. No new long term borrowing was taken during the year and no long term borrowing was repaid during the year. The average loans pool rate at 31 March 2012 was 6.139%, the same as at 31 March 2011.
50. Analysing net external debt as a proportion of net revenue spend gives an indication of the relative indebtedness of the council. Exhibit 6 below shows the net external debt as at 31 March 2012 as a proportion of the actual outturn for the year for all councils in Scotland. Argyll and Bute Council (highlighted in black) fares well in this comparison with 80p of net borrowing for every £1 of taxation and grant income, compared to the highest council with over £1.60 of borrowing for every £1 of taxation and grant income.

### Exhibit 6: Net external debt as at 31 March 2012 as a proportion of the actual outturn for the year



Source: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

### Financial planning to support priority setting and cost reductions

51. The council has adopted a strategic 3 year approach to managing its budgetary position and has prepared balanced budgets for the period to 2014/15. The chart at Exhibit 7 shows planned budget savings agreed to the period 2014/15 which include all savings planned as part of the 3 year programme of service reviews.

#### Exhibit 7: Planned Budget Savings 2012/13 - 2014/15

	2012/13	2013/14	2014/15
Budget Savings Agreed	(6.425)	(7.861)	(8.750)
Efficiency Savings to be Allocated	-	(1.595)	(3.641)
<b>Total</b>	<b>(6.425)</b>	<b>(9.456)</b>	<b>12.391</b>

Source: *Argyll and Bute Council 2011/12 financial statements*

52. Service reviews are considered through project boards, the Transformation Board and have been subject to budget seminars and consideration by the Executive before going out to public consultation where there is an impact on service delivery.

As part of the Transformation Programme, all services have been subject to review as part of the 3 year service review programme which has set targets for cost reduction of 15% and 20%. Although these will be challenging targets to achieve, the council has a robust methodology for identifying, implementing and monitoring savings and changes in service delivery that lead to efficiency savings, prioritisation or better use of resources. The council can also demonstrate a good track record of completing service reviews to time and also of implementing the recommendations that deliver the savings. There remains a risk however that the council is unable to deliver vital public services if these savings are not achieved.

**Refer Action Plan No 2**

## Asset management

53. Services prepare service asset management plans each year as part of the capital planning process. These consider issues of suitability, condition and asset performance. Any red risks in terms of asset management are highlighted as part of that process.
54. Argyll and Bute Council also has a corporate asset management programme in place. The programme prioritises work based on a risk assessment and on "spend to save" programmes. For 2011/12, 85% of the internal floor area of operational buildings was in a satisfactory condition and 66% of operational buildings were suitable for their current use, both improvements on the previous year.
55. In October 2011, following a procurement exercise, a new proprietary asset management software package "CONCERTO" was purchased. Work is ongoing to populate the new system. It is anticipated that this new tool will help streamline the management of property assets and will better integrate areas of property maintenance, capital programme delivery and asset management. The implementation of the system is being carried out in a phased manner.

## Procurement

56. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement. In 2009 the Scottish Government introduced an annual evidence based assessment tool, the procurement capability assessment (PCA) to monitor public bodies' adoption of good purchasing practice and as a basis for sharing best practice. Councils need to achieve 25% or more to achieve conformance status.
57. The council has shown consistent improvement since the assessment started. Last year's score was 41% compared to 36% in the previous year. This year's assessment will take place in the autumn and the council have set a target of 50% which would take them into Level 2 - improved performance status. In readiness for this year's assessment, the council approved a revised Procurement Manual and Procurement Strategy in September 2011.

## Workforce reduction

58. As part of the Transformation Programme of service reviews, the council invited all employees to express an interest in voluntary redundancy. As a result of the budget savings options



approved by the council, a significant number of employees had their redundancy applications accepted. 264 employees left in 2010/11 and 167 left in 2011/12. Termination costs for all employees who have accepted redundancy by 31 March 2012 have been accounted for in 2011/12 or in previous years.

59. The Council has a workforce planning framework in place which informs a 5 year workforce planning strategy. All staff reductions have taken place as part of an integrated approach to transformation/modernisation. All service reviews have addressed workloads, job descriptions and have detailed implementation plans associated with them. There is no evidence thus far that the workforce reductions have impacted on the delivery of services or resulted in increased overtime and the use of temporary contractors.

### Other change management programmes

60. As outlined at paragraph 52 above, the council has established a Transformation Programme to assist in addressing the challenging financial outlook. The Programme is based around 4 themes:
- Strategic Council wide initiatives
  - A programme of service reviews
  - Efficiency and effectiveness of corporate resources
  - Preparing to meet the challenge of BV2.
61. The Scottish Government has reiterated a commitment to ongoing efficiency savings of 2% year on year in the public sector. The efficiency savings budget target has been secured for 2012/13. However the balance of efficiency savings, to come from the transformation programme, is estimated at £1.164 million in 2013-14 and a further £1.892 million in 2014-15, giving a total of £3.056 million.
62. It is intended that these savings will be achieved through the next phase of the transformation programme where the focus will be on achieving improvements in productivity, improving use of corporate resources, focus and prioritisation on key services and reviewing service delivery/operating models through shared services, outsourcing and development of comprehensive sourcing strategies for complete service areas. The Public Service Improvement Framework self-assessment process, Annual Performance Reports and Service Improvement Plans will be used to help identify and deliver savings in productivity improvements.

### Partnership working

63. As a rural authority Argyll and Bute Council recognise that there are limited opportunities to develop and share services with neighbouring authorities. However, shared services and joint working continue to be considered with other councils and across community planning.
64. There is a well established and developed community planning partnership with a combined Community Plan and Single Outcome Agreement. Focus continues to be made on the four main themes of Economy, Social Affairs, Environment and Communities and the Third sector.

65. Work is ongoing across the council area on a range of shared services initiatives:
- All Community Planning partners in this area have been involved in an asset management project to identify options for sharing delivery points and activity reports will be produced
  - Integrated Health and Social Care discussions have resulted in an in principle agreement by the council and NHS Highland to progress a joint business case investigation
  - An informal network to share expertise and best practice has been established with Business Gateway and more formal shared arrangements are now being considered.
  - Work is underway to examine Out of Hours services, Safety and Training and Policy support with Highland Council and NHS Highland.
66. In response to a request from the Cabinet Secretary for Finance, Employment and Sustainable Growth the Accounts Commission has led development work, with scrutiny partners, on how audit and inspection can support the delivery of better outcomes by Community Planning Partnerships. This will continue to evolve in 2012/13.

## Outlook

### 2012/13 budget

67. The local government finance settlement was announced on 8 December 2011. This confirmed the level of Scottish Government grant funding for councils for the 3 years to 2014/15. The funding for Argyll and Bute Council saw an increase of 1.1% from 2011/12 to 2012/13 followed by reductions of 0.9% for 2013/14 and 0.8% for 2014/15.
68. The council has adopted a strategic 3 year approach to managing its budgetary position and has prepared budgets for the period to 2014/15. In February 2012, the council approved a revenue budget of £255.851 million for 2012/13, with approved budget savings across services of £6.425 million, resulting in a budgeted surplus of £3.760 million for the year. The council also approved a balanced position in 2013/14 and a surplus of £0.014 million in 2014/15. The budgets include all savings planned as part of the 3 year programme of service reviews.
69. The Scottish Government budget contained a commitment to on-going efficiency savings and the council has factored additional efficiency savings into the 2013/14 and 2014/15 budgets.

### 2012/13 budget reporting

70. The current forecast outturn position as at the end of June 2012 is a forecast overspend of £0.015 million. Community Services are the only department forecasting an outturn different to the annual budget. A projected overspend on the Children and Families service of £0.065 million in relation to two children going to secure placements is offset by a projected underspend on Adult Care of £0.050 million. Departments will continue to closely monitor the projected outturn position and report any anticipated over/under spends through the budget monitoring process.

## Financial forecasts beyond 2012/13

71. As outlined at paragraph 68 above, the council has adopted a strategic 3 year approach to managing its budgetary position and has prepared budgets for the period to 2014/15.
72. The current challenging financial environment is likely to continue however for the medium term and the Council will need to consider how best to address this challenge for the period beyond the current 3 year budget whilst also meeting the requirement for 2% efficiency savings each year. Proposals on this will require to be developed for the next planning and budgeting cycle.

## Significant financial risks

73. A report submitted by the Head of Strategic Finance to the Strategic Finance Committee in February 2012 summarises the results of a review of the risks associated with the various assumptions underpinning the 2012/13 to 2014/15 budgets. The report highlighted that there are a range of risks associated with these assumptions in terms of probability, service impact and financial impact.
74. A financial risks analysis was undertaken for each service and looked at each of the main activities/teams/business units within a service and identified risks related to cost levels, service demands and income. The probability, service impact and financial impact of each risk were then assessed. A range of council wide risks were also identified and assessed. Risks related to service reviews and funding were also identified and assessed.
75. The top three risks relating to service demands, in terms of the likely financial impact were identified as:
  - Winter Maintenance – Adverse weather conditions which require a greater than budgeted number of gritting runs
  - Adult care - Older People Population Growth
  - Older People - Level of service demand remains at current commitment or increases due to needs becoming more complex.
76. The main funding risks relate to council tax and Scottish Government grant. The estimated level of council tax income was reviewed at the end of November 2011 and is based on current and forecast band D equivalents and non-payment rates. No further increase in council tax income has been assumed for 2013-14 and 2014-15. A 1% variation in council tax income amounts to £0.450 million.
77. Scottish Government funding is based on the local government finance settlement announcement. The announcement covered a 3 year period for 2012-13 to 2014-15. This represents a firm indication of funding for these 3 years and it is unlikely that funding will fall below these levels. One area of risk to funding would be if the Council were deemed not to have met the conditions attached to the finance settlement and this has been assessed as remote. A 1% variation in Scottish Government funding amounts to £2.2m.

78. The report by the Head of Strategic Finance highlights that the Council will need to monitor a number of the risks/assumptions contained in his report over the 2012/13 financial year and this monitoring will be built into the budget monitoring process. The report was considered by the council in February 2012 as part of the revenue budget setting process.

# Governance and accountability

79. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
80. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
81. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
- corporate governance and systems of internal control
  - the prevention and detection of fraud and irregularity
  - standards of conduct and arrangements for the prevention and detection of corruption.
82. In this part of the report we comment on key areas of governance.

## Corporate governance

### Processes and committees

83. Following the May 2012 elections the council is run by a coalition of councillors from SNP, Argyll First and Argyll and Bute Independent Councillors groups and also non aligned independent councillors.
84. In June 2012, the members voted to discontinue the Executive Committee with all previously delegated powers reverting to the Council. The Council also decided to discontinue Policy and Performance Groups. A Performance Review and Scrutiny Committee has been set up. This new committee will meet quarterly and will have an independent chair. Its remit includes reviewing performance against policy objectives and monitoring the delivery of corporate improvement programmes.
85. The Audit Committee chair and vice-chair are non-executive, unelected members. The audit committee has made good progress in ensuring its role is discharged effectively and is continuously seeking to improve.

### Internal control

86. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial

systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

87. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
88. As part of our work, we took assurance from key controls within the council's financial systems. The results of our review of key controls were reported to the Audit Committee in September 2012. A number of minor weaknesses were identified relating to usage of corporate credit cards, Council Tax discounts and exemptions, the sundry debtors system and bank reconciliations. The weaknesses have all been addressed via an agreed action plan.
89. In April 2012, the Council re-tendered a multi-million pound contract for the Helensburgh town centre and West Bay public realm works. The £4m works contract is part of the council's CHORD programme which aims to regenerate 5 waterfront areas: Campbeltown, Helensburgh, Oban, Rothesay and Dunoon. The decision to re-tender was made after concerns were raised by one of the original tenderers regarding the contract evaluation procedures. A subsequent Internal Audit investigation identified that the council's Procurement Procedures Manual had not been followed.
90. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2011/12 audit we assessed whether we could place reliance on the council's internal audit function.
91. We concluded that the internal audit service operates in accordance with the CIPFA Code of Practice for Internal Audit in local government in the UK. We placed reliance on their audit work carried out on several of the key financial systems in forming our opinion on the 2011/12 financial statements, together with a number of governance areas including performance management arrangements and statutory performance indicators, as we anticipated in our annual plan.

### ICT data handling and security

92. As part of our 2011/12 work, a review of the council's ICT arrangements was carried out using a Preliminary Service Evaluation and elements of the Computer Services Review Client Questionnaire. These were completed in consultation with ICT management and from supporting documentation, as appropriate, as back-up evidence. In addition a number of the IT service functions were tested in detail to confirm operational effectiveness.
93. The results of our review were reported to IT Managers in September 2012 and the final report will be presented to the Audit Committee in due course. A number of good practices were identified and include the following:
  - there are sound practices in place for managing user access to systems controlled by the council

- business continuity arrangements have been developed for the back-up and recovery of data although under review
  - there are arrangements in place for managing the council's ICT assets.
94. At the same time there are a number of challenges facing the council. These include:
- Information and Communication Technology (ICT) is an integral part of the council's service delivery activities. Investment in ICT provision is being provided and infrastructure and facilities are being re-configured with a project to close and transfer the Campbeltown server room to a new upgraded data centre at Kilmory
  - the Scottish Government are looking to the council to help develop and deliver plans for superfast broadband and invest further in the standardisation of networks and services to ensure compliance with the public service network (PSN)
  - the maintenance of business continuity / disaster recovery arrangements is part of an on-going process. The requirements needed to support the arrangements at the new data centre will need to be incorporated into the current plans.
95. An action plan to address the challenges raised in the report has been agreed and will be followed up as part of the council's normal ongoing monitoring procedures.

## Prevention and detection of fraud and irregularities

96. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
97. The council has appropriate arrangements in place to help prevent fraud, inappropriate conduct and corruption. These arrangements include: an anti-fraud strategy, a public interest disclosure policy and codes of conduct for councillors and staff. We are not aware of any specific issues that should be brought to your attention in this report.

### NFI in Scotland

98. Audit Scotland has coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise started in October 2010 and was reported upon in May 2012. The next round of NFI is due to commence in June 2012, and will look to expand the range of data sets and bodies.
99. The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. Where matches are identified these are made available to bodies to investigate via a secure web application. Bodies investigate these and record appropriate outcomes based on their investigations.



- 100.** The data supplied by all participating bodies for NFI 2010/11 returned 287,559 matches. Some 33,846 (11.8%) of matches were categorised as having a higher risk of fraud or error (matches recommended for investigation). Argyll and Bute's NFI data returned 9,502 matches, of which 836 (9%) were recommended for investigation. Individual bodies determine which matches and the number of matches to investigate. The council completed its match investigations on schedule. Fraudulent overpayments totalled £39,423.35. 7 frauds were stopped resulting in 4 cautions issued and 3 being reviewed for criminal prosecution.
- 101.** The council commenced preparation for the 2012/13 NFI Exercise with the checking of the list of expected data sets, confirmed who the web application users would be, completed the requirements outlined for fair processing compliance and live data was uploaded to the NFI web application on 8 October 2012.

### Housing and council tax benefits performance audit

- 102.** A follow up risk assessment of the council's benefits service was carried out in July 2011. It reported that the council had made a positive contribution to the continuous improvement of the benefits service. 24 of the 32 previously identified risks had been fully addressed and the remaining 8 partially addressed. 17 new risks were identified with an action plan being agreed to address them.

### Standards of conduct and arrangements for the prevention/detection of bribery and corruption

- 103.** Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in Argyll and Bute Council are satisfactory and we are not aware of any specific issues that we need to identify in this report.

### Complaints Handling Procedures

- 104.** The Scottish Public Services Ombudsman (SPSO) now requires councils to adopt a new two stage complaints handling procedure, which means informal complaints will need to be recorded by 1 April 2013. The council's corporate complaints procedure complies with the model complaints handling procedure proposed by the Scottish Public Services Ombudsman (SPSO). A copy of the council's procedures has been submitted to the SPSO as required by 14 September 2012.

### Outlook

- 105.** The Westminster government's Welfare Reform Act received Royal Assent on 8 March 2012. This is the biggest reform of the UK welfare system for 60 years and promises to change the lives of millions of households by creating a new Universal Credit for working age claimants.



- 106.** The main drivers for this legislation are to improve work incentives, simplify the benefits system, tackle the administrative complexity of existing systems and to deliver savings.
- 107.** The provisions in the Act will result in a number of significant changes for how local authorities deliver services. Universal Credit will end the devolved administration of housing benefit. Council tax benefit will be replaced by a Scottish council tax reduction scheme from April 2013. There will also be a shift in terms of the delivery of services such as the Social Fund, community care grants and benefit fraud investigations. Going forward, the role councils will play in the delivery of welfare reforms is not yet clear although there is an expectation that councils will provide some face to face support to benefit claimants.
- 108.** Councils will face challenges in understanding and acting upon welfare reform changes, and communicating these accurately and effectively to local residents. The introduction of Universal Credit will also have a significant impact on councils' strategies and plans in areas such as housing, asset management, finance, ICT and customer service. Councils will be challenged during this period of change to maintain service delivery and performance around housing benefit claims.

**Refer Action Plan No 3**

- 109.** As part of our work on the 2012/13 audit, we will consider the council's preparedness for introduction of these changes, and how it is developing and taking forward its strategies and plans to address the risks arising from these changes.

# Best Value, use of resources and performance

110. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
111. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
112. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
- a performance audit which may result in the publication of a national report
  - an examination of the implications of a particular topic or performance audit for an audited body at local level
  - a review of a body's response to national recommendations.
113. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
114. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
115. This section includes a commentary on the Best Value/ performance management arrangements within Argyll and Bute Council. We also note any headline performance outcomes/ measures used by the council and comment on any relevant national reports and the body's response thereto.

## Management arrangements

### Best Value

116. Audit Scotland conducted a full best value audit during 2005 with the report being published in February 2006. A follow-up report was published in December 2008, and in January 2009 the council agreed its first Corporate Improvement Plan which contained the council's response to the findings in the follow-up report. During 2010, the Local Area Network (LAN) published an Assurance and Improvement Plan for the council which recorded that the council

has made significant progress in revising its corporate planning, strategic and performance management arrangements.

117. The council's second (2011/12) Corporate Improvement Plan builds on the improvements made since adoption of the first Plan and was developed from the following sources:
- The Public Service Improvement Framework (PSIF) corporate self-assessment
  - Assurance and Improvement Plan
  - BV2 Gap Analysis
  - Code of Corporate Governance annual review.
118. The 2011/12 Corporate Improvement Plan focuses on four main areas/outcomes identified through the self-assessment and audit activity:
- Improvement – The Council delivers Best Value Services
  - Effective leadership at both political and officer level
  - People Management – the right people, in the right jobs, at the right time
  - Work effectively with partners to deliver the Vision for Argyll and Bute.
119. For each of these outcomes within the Corporate Improvement Plan, a range of success measures are detailed within the Plan and underlying each outcome are a range of actions which have been assigned to the appropriate Executive Director. Monitoring these actions takes place via the Council Scorecard, and as such reported quarterly to the Executive.
120. The Performance Management Report for Quarter 4 2011/12 presented to the Council in June 2012 records that of the 18 Corporate Improvement Plan 2011/12 actions for the Council, 17 are complete and the remaining action (review of Political Management Arrangements) is on track for completion during 2012. The Council is also able to demonstrate that significant progress has been made in putting in place the key building blocks against all 6 improvement areas identified in the follow-up report.
121. In order to ensure that the improvements made are consolidated and built upon, work is underway to put in place a Corporate Improvement Programme bringing together the Transformation Programme and Corporate Improvement Plan under one coordinated and focussed programme.
122. A review of existing improvement processes has been undertaken, including PSIF findings, all external and internal audits, the Assurance and Improvement Plan, the previous Corporate Improvement Plan, and several national policy initiatives likely to have an impact over the course of the next year. These initiatives include the move towards single police and fire services, the national review of community planning, and work around social work and social care integration. A draft of a Corporate Improvement Plan is currently being prepared. This is drawn from the information collated from the actions above along with a review of the scope of the current Transformation Programme. This will bring together all corporate improvement activity into a single Corporate Improvement Plan.

123. The Corporate Improvement Plan will be managed using a formal project management approach, including production of project documentation and the appointment (from existing resources) of a project manager, sponsor and senior responsible officer for each workstream.
124. Internal Audit has recently completed a range of Corporate Performance Audits based on the BV2 toolkits. This has given the council an overview of how their services are performing in relation to the BV2 toolkits. Action plans have been prepared in relation to areas that require improvement and Heads of Service are currently progressing these plans.
125. As part of our work on the 2012/13 audit, we will consider how the council is developing and taking forward its strategies and plans to address the improvement areas identified from all sources.

### Performance management

126. The councils' Planning and performance Management Framework (PPMF) is a core component of the improvement process for the council, helping ensure delivery of the Improvement Plan. The PPMF draws together improvement activities within the council to ensure that improvement is taking place in a coordinated manner, including:
  - Council and service performance scorecards
  - Engagement with stakeholders
  - Improvement plans resulting from: Best Value reviews, audits, inspections, sustainability and equalities impact assessments.
  - Strategic and operational risk registers
  - Higher level plans, e.g. Community Plan, Corporate Plan, Single Outcome Agreement
  - Key performance measures, including statutory performance indicators
  - Other performance information.
127. The council uses Pyramid performance management software system to record performance information and generate performance scorecards. Performance is monitored through the Council Scorecard, which includes the Council Corporate Plan and Single Outcome Agreement, and Departmental Scorecards. The PPMF was refreshed in 2011 to reflect the new council structure. The council also adopted a new Corporate Plan in 2011 that identified corporate outcomes and linked service outcomes to these. These are also mapped to the Scottish Government's National Outcomes. A new council scorecard was introduced to the Executive in August 2011 which shows progress against the corporate outcomes. This can be further interrogated to link through to service outcomes.
128. Each financial quarter the council's Performance Reports and Scorecards are reviewed for the council as a whole and for each of the departments. These identify areas of success, challenge and improvement by service area. All improvement actions are included in the Service Improvement Plans. Each review covers three areas:
  - Key Successes - A numbered list of what the service has achieved particularly well during the last financial year

- Key Challenges - This section is a numbered list of any challenges that have prevented the service from achieving its targeted objectives
- Key Improvements to address Challenges - This section includes a numbered list of improvements that the service plans to carry out in the current financial year

129. Annual Performance Reviews (APRs) are prepared by Heads of Service and are submitted to the Executive in December for consideration. The format of the APRs reflects the quarterly reporting on performance by Strategic Management Team to the Executive.

### Community/user engagement

130. A Community Engagement Strategy was agreed and adopted by the Community Planning Partnership (CPP) in May 2009. The Council also has a Community Engagement Action Plan which is reported to the Community Planning Partnership Management Committee. The four Local Area Community Planning Groups and three Community Planning Partnership Thematic Groups as well as the Management Committee report to the CPP on a regular basis. A Third Sector and Communities CPP Sub-Group was also established to ensure that community engagement is given the same strategic guidance and monitoring as the other CPP Thematic Groups.
131. The CPP Community Engagement Strategy is currently under review by the Third Sector and Communities CPP Sub-group to be brought in line with the new Community Plan/Single Outcome Agreement. The Scottish Government Review of Community Planning will also influence the reviewed strategy.
132. A 2011 internal audit review of work carried out by the council in partnership with community groups recorded that good progress is being made with community engagement within the council area. Internal audit also recorded that this progress is reinforced by the formation of the Third Sector and Communities CPP Sub-Group and that there are four Community Development Officers, one for each of the administrative areas within the council.
133. Through our own audit work we also acknowledge the council's commitment to community engagement. The 2011/12 and 2012/13 budget setting processes included public meetings held by community planning partners plus innovative approaches to consultation: webchat and budget simulator plus the more traditional postcards, posters, web pages, presentations, Citizens' Panel and facilitated meetings. The council's Annual Report is available via the council's website, which has gained a four star rating from Socitm and has been listed as one of the top 20 best developed websites.
134. The current Citizens' Panel is made up of approximately 1,250 people who live in Argyll and Bute. Members of the Panel are recruited to be broadly representative of the wider population of the area in terms of their demographic profile and geographic distribution. Hexagon Research and Consulting currently have the contract to maintain the Citizens' Panel database and to administer the twice yearly Citizens' Panel surveys. The spring surveys are open to all community planning partner organisations. Autumn surveys are now council-only surveys, with the primary purpose to track customer satisfaction across a range of council services.

135. Recent examples of council consultation include:

- Helensburgh Pierhead Masterplan Consultation
- Libraries Customer Satisfaction Survey

## Overview of performance in 2011/12

### Argyll and Bute Council's performance measurement outcomes

136. There are 294 success measures monitored through the council scorecard. These were analysed for 2011/12 to show progress against target. The analysis showed an overall improvement position with 80% of indicators meeting or exceeding target and 20%% adrift of target.

137. Some of the performance measures achieved in 2011/12 include:

- Percentage of waste recycled and composted
- All roads asset capital and maintenance programmes in place
- Five year workforce plan completed.

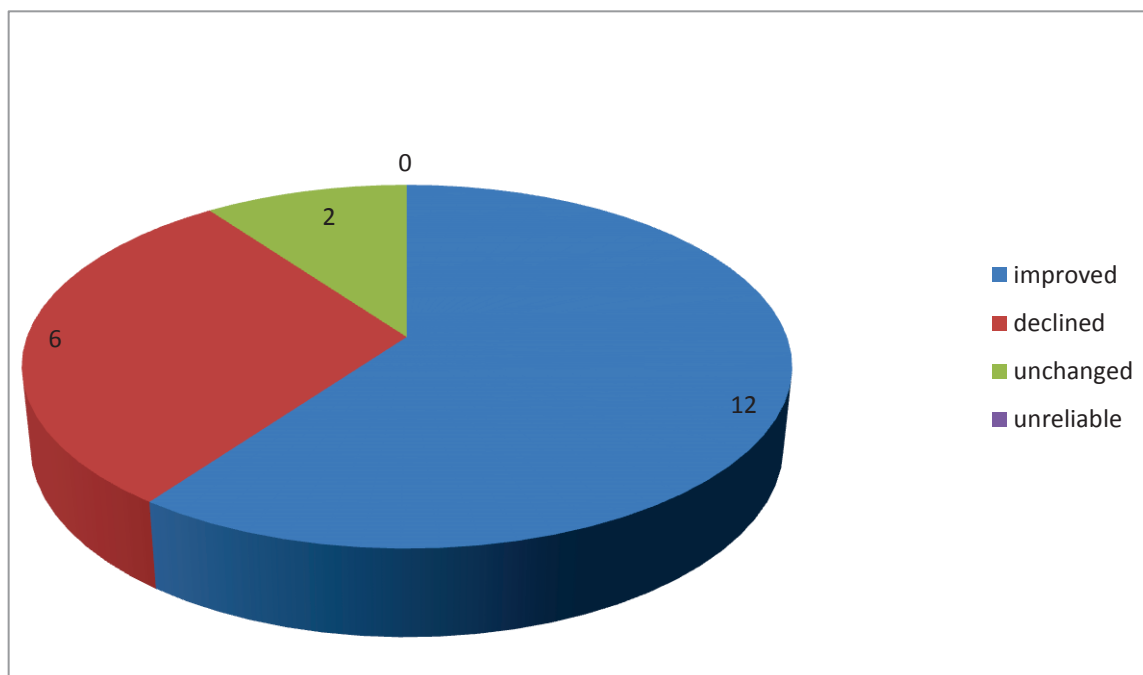
138. some of the measures of performance not achieved in 2011/12 include:

- Secondary school teaching staff sickness absence was 8.5 days against a target of 6.5 days
- % road work instructions completed within timescale was 85% against a target of 90%
- Implementation of employee development training for managers (Argyll and Bute Manager) has slipped.

139. The overall council staff sickness absence rate of 8.8 days is split local government (LG) employees 9.11 days and teachers 7.62 days. Comparing these figures to Audit Scotland's 2011/12 tables, puts the council at number 3 for LG employees, but at number 24 for teaching staff. A target of 7.5 days for all teaching staff has been agreed for 2012/13. Improvements in productivity during the year resulted in roads work instructions performance exceeding target by 3% points (achieving 93%) in Quarter 4 2011/12. This improvement will carry forward into 2012/13. A project plan is now in place for 'Argyll and Bute Manager' to report regularly to the Corporate Improvement Board to manage progress and performance.

### Statutory performance indicators

140. In 2011/12, a total of 20 SPIs were required and these indicate an improved picture of performance as illustrated at Exhibit 8 below.

**Exhibit 8: Improvements demonstrated by SPIs (Total 20 indicators)**

Source: Argyll and Bute Council SPI data returns

- 141.** The improved indicators include sickness absence levels, equal opportunities, the gross administration cost per benefits case, the cost of collecting council tax per dwelling, homelessness processing, the provision of homecare to those aged over 65 and visits to museums. The declines included the payment of invoices and visits to libraries.
- 142.** The declines noted above are attributable mainly to an increase in the number of invoices being processed and Rothesay library being closed for major refurbishment. The council has set a target of paying 90% of invoices within 30 days for 2011/12. Rothesay library has now re-opened and provides a modern, customer orientated library service.

## Maintaining Scotland's roads: a follow-up report

- 143.** During the course of 2011/12 we reviewed the council's response to Maintaining Scotland's roads: a follow-up report; published by the Auditor General and the Accounts Commission in February 2011. The review provided an assessment of the progress that Argyll and Bute Council had made in improving its management of road maintenance, focusing on road asset management planning, performance management and maximising value for money. We found that the council is taking steps to address the recommendations set out in the report. In particular that:
- The completion of the Roads Asset Management & Maintenance Strategy provides the strategic direction upon which detailed plans are based to deliver the road maintenance service in accordance with corporate policy and accepted best practice. The Strategy was completed in draft in December 2011, with formal approval expected during 2012.



- The council has developed 1, 3 and 10 year roads reconstruction programmes of work, with the 1 and 3 year programmes budget being largely programmes to recover from the effects of the winters of 2009/10 and 2010/11. The 10 year programme will be an improvement programme with the emphasis on upgrading the strategic network.
- The council have increased the roads capital maintenance budget for 2012/13 from an initial £5.0 million to £7.0 million. In addition, at the annual budget meeting in February 2012, the council increased the provision for roads reconstruction in the capital plan to £21m over 3 years.

144. We concluded that the council has responded to the recommendations of the report and there is evidence that actions to improve road maintenance are considered at the highest level within the council. We also noted that the SCOTS group have used the annual surveys of road condition to assess a maintenance backlog across Scotland and provide an assessment for each council. The backlog figure for Argyll and Bute was calculated as £162.38 million in February 2011. It is clear that even with the current level of investment and the use of revised asset management prioritisation techniques, a proportion of the road network in the council area will continue to deteriorate in future years.

**Refer Action Plan No 4**

## National performance reports

145. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest are detailed in Exhibit 9:

### Exhibit 9: A selection of National performance reports 2011/12

- |   |   |
|---|---|
| • Commissioning social care   | • Reducing greenhouse gas emissions                                   |
| • The National Fraud Initiative in Scotland                                   | • The role of community planning partnerships in economic development |
| • An overview of local government in Scotland - challenges and change in 2012 | • Modernising the planning system                                     |
| • Scotland's public finances: addressing the challenges                       | • Community Health Partnerships                                       |
| • Transport for health and social care  | • Managing performance: are you getting it right?                     |

Source: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## Managing performance: are you getting it right?

146. The report is the fourth in the How Councils Work series. This series draws on audit work in all councils to highlight concerns, issues and good practice.

147. The report offers practical pointers and support to help councillors and officials with performance management. Effective management of performance is everyone's business from the chief executive down and in well-run councils, it is embedded throughout the



organisation as part of the day job and not seen as a burden. A key element is getting the culture right with councillors and officials sharing a common purpose and vision and setting clear priorities. The council has yet to consider this report as it was only published in October 2012.

### Scotland's public finances: addressing the challenges

148. The report provides an overview of the financial environment facing the public sector in Scotland and the cost pressures currently faced. It outlines what the public sector is doing to respond to current and future budget reductions, and highlights a number of key risks and issues that the public sector needs to manage in responding to the challenges.
149. The report, together with a management response, was considered by the council's audit committee in December 2011. As outlined at paragraph 68, the council has demonstrated a clear awareness of the financial challenges that are highlighted in this report, however they acknowledge that the current challenging financial environment will continue for the medium term and that the council will need to consider how best to address this challenge for the period beyond the current 3 year budget whilst also meeting the requirement for 2% efficiency savings each year. Proposals to address this issue are currently being developed.
150. The service review programme required benchmarking to be undertaken as a key stage in each service review. In addition benchmarking is carried out within some services. There is scope to develop a more coordinated approach to benchmarking and to demonstrate benchmarking is being carried out on a comprehensive basis across all services and that it is being used to improve performance. The process of mapping cost and budget to service and corporate outcomes could be further refined. This will be taken forward under the corporate improvement plan.

**Refer Action Plan No 5**

### Commissioning social care

151. Good strategic commissioning of social care is needed to ensure effective and efficient services are provided and continue to be developed, in partnership with users, carers and providers, so that sustainable services are in place in future. This report examined how well councils and their partners plan, and how councils either procure or deliver, effective social care services. The report also assessed the extent to which councils and their partners involve users and carers in developing services to meet their needs, and how they work with providers in the voluntary and private sectors to provide high-quality, sustainable services.
152. The Council has used the report in preparing updated commissioning strategy and plans which will be finalised by the end of December 2012. This work is being taken forward by Planning and Information Team Leader and Commissioning staff. The updated strategy and plans will ensure that the actions identified in the Audit Scotland self-assessment pro-forma are all addressed.

## The role of community planning partnerships in economic development

- 153.** This review aimed to assess whether Community Planning Partnerships (CPPs) have made a difference to local communities. As CPPs cover a wide range of activity, the review focused on examining their contribution to economic development. This policy was chosen because CPPs have an important role in coordinating local economic development activity and it has a direct link to the Scottish Government's purpose of increasing sustainable economic growth.
- 154.** The Council used the Audit Scotland checklist for CPP board members to assess whether they are meeting the recommendations contained within the report. The Council's assessment was generally positive although they acknowledge that a recent self-assessment of community planning identified some issues around the style and delivery of local community planning and the opportunity to improve strategic focus of management committee. These issues are currently being addressed by the CPP.

## Modernising the planning system

- 155.** The planning system provides the framework for deciding how land is used, how communities take shape and how new developments look and work. It has to balance economic, environmental and community priorities and is central to achieving the Scottish Government's goal of sustainable economic growth and to Scotland's economic recovery.
- 156.** The report assessed whether recent reform and modernisation of the planning system is making it more economic, efficient and effective. The report evaluated the overall progress made by the public sector in modernising the planning system and the impact that modernisation is having on councils' performance in managing planning applications.
- 157.** The report, together with a management response, was considered by the council's audit committee in December 2011. An action plan has been prepared to address the outstanding recommendations within the report and to drive the planning system forward.

## Progress against audit risks identified in the SRA

- 158.** The Local Area Network (LAN), completed its third shared risk assessment (SRA) in Spring 2012 and reported its findings in an Assurance and Improvement Plan (AIP). The risk assessment considered the audit and scrutiny risks in relation to the council's strategic priorities, service delivery, and corporate governance framework. This drew on evidence from a number of sources including:
- The annual report to the Controller of Audit and elected members for 2010/11 from the council's appointed external auditors
  - The council's own self-evaluation, performance reporting and supporting evidence
  - Evidence gathered from Education Scotland, the Care Inspectorate and the Scottish Housing Regulator (including published inspection reports and other supporting evidence).

159. No significant scrutiny risks were identified with the council's corporate governance framework. As was the case in the previous AIP, one significant scrutiny risk was identified with the council's transport service and roads maintenance performance outcomes. The area has a high dependency on the road network and the council faces many challenges in maintaining its road network, including the dispersed geography and extremities of weather within the area. The SCOTS group have used the annual surveys of road condition to assess a maintenance backlog across Scotland and provide an assessment for each Council. The backlog figure for Argyll and Bute was calculated as £162.38 million in February 2011. As outlined in paragraph 143, the council has undertaken a service review of its Roads Operations Service and capital programme which has led to the development of a 3 year roads Reconstruction Recovery Programme and a longer term strategy and plan for improvement. Additional capital funding has been allocated by the council to road maintenance to address this challenge.
160. Areas of uncertainty identified by the LAN were:
- Asset Management: management of the school estate
  - Social Change: ensuring services are directed to the most vulnerable
  - Support of adults at home rather than in residential settings.
161. In relation to the school estate, the council awaits the outcome of the Commission on Rural Education, and the Scottish Government's subsequent legislative response. In relation to Social Change, this assessment is linked to the national risk priority regarding the protection and welfare of vulnerable people. The Care Inspectorate have recently carried out a follow-through visit and will report publicly on the extent to which improvements have been delivered. For the support of adults at home, this area of uncertainty will be monitored by the council during the Care Inspectorate self-evaluation process, with the LAN maintaining a watching brief. An updated position will be reported by the LAN in the next AIP.

## Outlook

162. The Accounts Commission has developed an audit approach for the audit of Community Planning Partnerships. This approach is being piloted in the autumn of 2012 and rolled out across the sector thereafter.
163. In April 2011, the Equality Act 2010 introduced a new public sector 'General Duty' which encourages equality to be mainstreamed into public bodies' core work so that it is not a marginal activity but part and parcel of how public bodies operate. Following on from this the Scottish Government consulted on a set of 'Specific Duties' which came into force in May 2012. There are nine specific duties listed which aim to support public bodies to better perform against the 'General Duty,' including the duty to assess the impact of equalities in all policies and decisions as well as the requirement to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013. Progress made by the council in implementing these requirements will be monitored in 2012/13.

# Appendix A: audit reports

## External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan	9 February 2012	24 March 2012
Shared Risk Assessment/Assurance and Improvement Plan	3 June 2012	16 June 2012
Internal controls management letter	16 June 2012	21 September 2012
Maintaining Scotland's roads - follow-up review	26 July 2012	21 September 2012
Report on financial statements to those charged with governance	17 September 2012	21 September 2012
Audit opinion on the 2011/12 financial statements	17 September 2012	21 September 2012
Audit opinion on the 2011/12 Whole of Government accounts consolidation pack	4 October 2012	tba
Report to Members on the 2011/12 audit	31 October 2012	tba

# Appendix B: action plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	22	<p><b>Equal pay claims</b></p> <p>The potential liability resulting from equal pay claims remains uncertain and is subject to the outcome of several national test legal cases.</p> <p><b><i>Risk: There is a risk that the ultimate cost to the council is greater than anticipated.</i></b></p>	<p>Negotiations around existing tribunal cases will be monitored and assessed against the current provision with any significant variation being reported through budget monitoring. The outcome of national legal test cases will be monitored and the implications assessed with the financial implications being considered as part of any revision of the provision.</p>	Head of Strategic Finance	Ongoing
2	52	<p><b>Budget savings and financial pressures</b></p> <p>Continuing to deliver vital public services with a reducing budget will be a significant challenge for the council. Planned budget savings are estimated at £9.456m in 2013-14 and a further £12.391m in 2014-15, giving a total of £21.847m.</p> <p><b><i>Risk: There is a risk that the council is unable to deliver vital public services if these savings are not achieved.</i></b></p>	<p>Implementation of savings will be monitored through regular monitoring with financial implications being picked up in budget monitoring and also through the budget preparation process. The impact on services will be monitored through service scorecards and the service planning process each year allows the Council to consider the relevant outcomes and performance levels for each service.</p>	Head of Strategic Finance	Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	108	<p><b>Welfare reform</b></p> <p>Councils will face challenges in understanding and acting upon welfare reform changes, and communicating these accurately and effectively to local residents.</p> <p><b><i>Risk: There is a risk that the council may fail to meet the requirements of the new welfare reform act.</i></b></p>	<p>A working group has already been set up in relation to welfare reform. It has cross service membership and given the impact this may have across the community a number of key partners have also been co-opted onto the group. The Council will continue to monitor developments and will bring forward plans based on developments.</p>	Head of Customer and Support Services	Ongoing
4	144	<p><b>Roads maintenance</b></p> <p>The roads capital budget has increased however, the roads maintenance backlog figure for Argyll and Bute was calculated as £162.38 million in February 2011.</p> <p><b><i>Risk: There is a risk that a proportion of the road network in the council area will continue to deteriorate in future years</i></b></p>	<p>The Council has developed the Roads Maintenance and Management Strategy (RM&amp;MS) to ensure that the Council spends its limited funding wisely on roads upgrade and maintenance. The strategy takes cognisance of Audit Scotland 2004 report – maintaining Scotland's Roads and the 2011 Follow up report. The objective of the RM&amp;MS is to provide a strategy on which detailed plans can be based to deliver the road maintenance service in accordance with Corporate Policy and National accepted best practice.</p>	Head of Roads and Amenity Services	October 2012 and during budget process 2013-14.

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
			<p>The RM&amp;MS was endorsed by the former Roads and Transport Working Group and will be considered by the Council - Target Date October 2012.</p> <p>Capital Investment Plan founded on the RM&amp;MS to be presented for consideration as part of budget process.</p> <p>Target Date - During the budget process for 2013-14.</p>		
5	150	<p><b>Benchmarking</b></p> <p>There is scope to develop a more coordinated approach to benchmarking and to demonstrate benchmarking is being carried out on a comprehensive basis across all services and that it is being used to improve performance. This will enhance the information currently available to establish the efficiency and cost effectiveness of services and to identify scope for further performance improvements.</p> <p><b><i>Risk: There is a risk that the council may not be able to demonstrate whether or not its</i></b></p>	<p>This will be taken forward as part of the corporate improvement plan. It is covered by the project related to productivity and service improvement. This project will be monitored to ensure it develops further the Council's approach to benchmarking.</p>	Head of Strategic Finance	<p>Already covered by corporate improvement plan. Monitoring implementation will be ongoing.</p>

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<i>services are providing value for money.</i>			



**REVENUE BUDGET MONITORING REPORT – SEPTEMBER 2012  
CORPORATE OVERVIEW**

**FORECAST OUTTURN – OVERSPEND £228,000**

This Corporate Overview summarises the revenue budget position of the Council as at 30 September 2012. The overall outturn variance at the end of the financial year is forecast to be an overspend of £228k based on the September budget monitoring exercise.

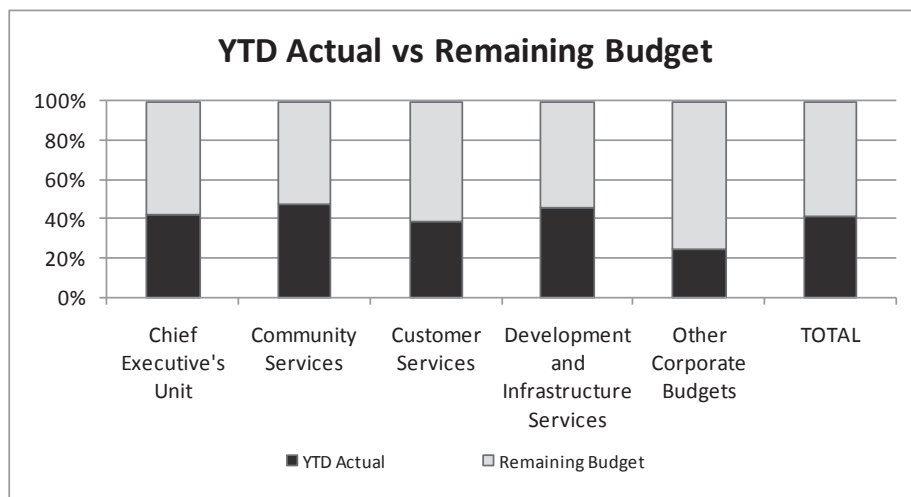
**1. CURRENT FINANCIAL POSITION**

The overall Council revenue budget summary statements are included as appendices to this report. An Objective Summary (departmental breakdown) is included in Appendix 1. A Subjective Summary (cost type breakdown) is included as Appendix 2.

**YEAR TO DATE POSITION**

As at the end of September 2012 there is a year to date surplus of £6.658m. The year to date surplus is not an indication of the year-end outturn position. Expenditure is £3.119m less than budget. The main reason for this is the profiling of budgets and timing differences around when payments are being made. The variance of 3% is a small proportion of the budget. Income is £3.539m higher than budget and this is simply a timing difference with income being accounted for earlier than budgeted.

The graph below shows the expenditure to date against the remaining budget for each Department. This is a high level summary to give an indication of the proportion of controllable budget that each Department has spent to date. The dark shade represents the actual expenditure to date as a percentage of total budget and the lighter area at the top represents the available/remaining budget.



**FORECAST OUTTURN POSITION**

The forecast outturn position as at the end of September 2012 is for an overspend of £228k by the financial year end. Overall, there is a projected overspend of £202k within departmental budgets, with a further overspend of £26k forecast for non-departmental budgets.

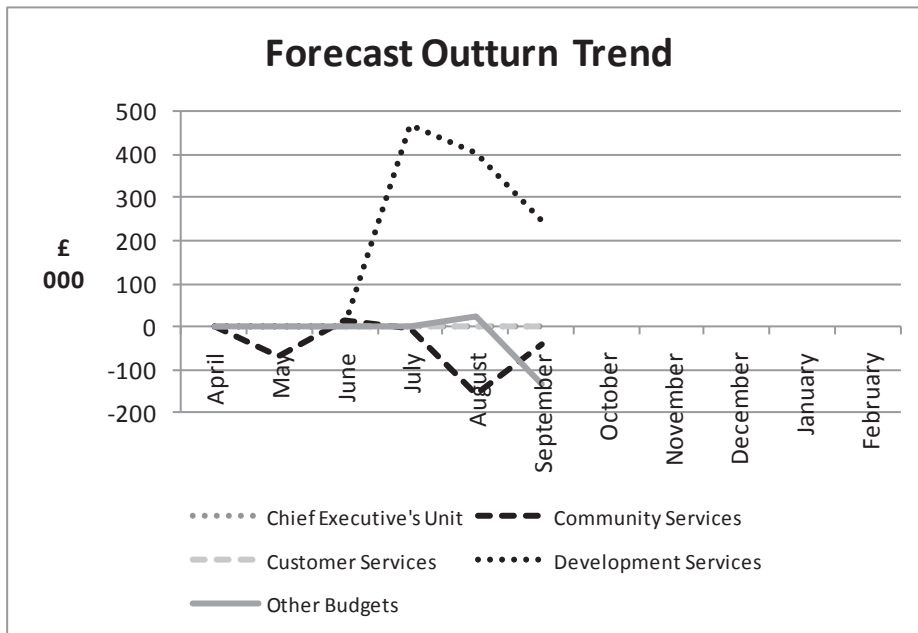
The overspend of £26k outwith departmental budgets is as a result of a projected overspend of £160k for the Non Domestic Rates poundage increase and a projected underspend of £134k for income the Council has received in relation to the Fleming VAT claims.

Community Services are projecting an underspend of £43k, this overall departmental variance position masks some significant offsetting variances. The Children and Families service are projecting an overspend of £65k, this is in relation to two children going into secure placements and the extension of existing placements beyond the period initially planned. There is a projected underspend of £45k within Adult Care. The main contributing factors to this are underspends of £357k in Care Home Placements and £117k in Learning Disability Residential Care. These underspends have been partly offset by overspends of £331k in Homecare and £124k across Supported Living packages as a result of an increase in the client base of these demand led services. There is also a forecast underspend on Community and Culture of £66k principally due to reduced expenditure on B&B temporary accommodation.

Development and Infrastructure Services are projecting an overspend of £245k, this consists of variances across all services within the department. Planning and Regulatory Services are projecting an overspend of £285k in relation to the levels of building and planning fee income forecast to be less than budgeted. There is a forecast overspend in Roads and Amenity Services of £140k which is the estimated overspend as a result of a shortfall in the level of car parking income recovered, the level of income has been reducing year on year. These overspends are partly offset by an underspend of £180k in Economic Development due to a delay in commencing works on Piers and Harbours, this delay has been planned to reduce the overall forecast overspend position for the department.

Departments will continue to closely monitor the projected outturn position and report any anticipated budget over/underspends through the budget monitoring process.

The line graph below shows the movement in the forecast outturn position for each Department from the start of the financial year.



## 2. FINANCIAL SUCCESSES, CHALLENGES, RISKS AND FUTURE ACTIONS

<u>SUCCESSES</u>	<u>CHALLENGES</u>
<p>Departmental expenditure in 2011-12 was kept within budget.</p> <p>The General Fund balance increased by £0.665m during 2011-12, despite having significant challenges to meet with implementing service review savings options and meeting the costs of severance.</p> <p>Departments are on target to meet savings targets with 86% of savings achieved to date.</p> <p>Year to date expenditure is less than budget at the end of September.</p> <p>Net overall forecast underspends in Adult Care and Community and Culture.</p> <p>Further one off VAT repayments received £134k in relation to Fleming cases.</p>	<p>Maintaining favourable/balanced forecast outturn position in light of Council wide risks to expenditure.</p> <p>Ongoing service reviews and challenges faced in terms of delivering services more efficiently with less resources.</p> <p>Increase to Non Domestic Rates poundage rate of 5.8% for 2012-13 which is greater than the 2.5% originally estimated resulting in an additional cost pressure of around £0.160m.</p> <p>Increased costs associated with Children and Families residential placements.</p> <p>Reductions in service income eg planning, building standards and car parking as reflected in Development and Infrastructure forecast outturn.</p>

<u>RISKS</u>	<u>FUTURE ACTIONS</u>
<p>Increasing demand for services with reduced resources could lead to an adverse outturn position</p> <p>Winter Maintenance spend, the outturn position for 2010-11 was an overspend of £1.7m and for 2011-12 an overspend of £0.5m. There is no way of predicting if there will be an overspend in this service area during 2012-13 and at what level this may be</p>	<p>Ongoing robust monitoring of the financial position to ensure that any budget issues are fed back to the management team and members through the budget monitoring process</p> <p>Continually refine/develop systems to accurately calculate forecast outturns and the future years financial outlook</p>

### 3. EFFICIENCY SAVINGS AND OTHER BUDGET SAVINGS

The table below summarises the total savings allocated to Departments, along with the amount of savings realised to date:

Type of Saving	2012-13 Target	Actual	Remaining
Vacancy Savings	£763,192	£195,417	£567,775
Efficiency Savings	£3,202,625	£3,052,066	£150,559
Other Savings	£2,937,248	£2,655,536	£281,712
<b>Totals</b>	<b>£6,903,065</b>	<b>£5,903,019</b>	<b>£1,000,046</b>

The Efficiency Savings and Other Savings include Year 2 Service Review Savings and Further Savings options approved as part of the 2011-12 budget where the amount of the saving was to increase in 2012-13 or Year 3 Service Review savings which were approved as part of the 2012-13 budget process.

These savings were removed from service budgets at the start of the year as part of the budget setting process, departments will monitor the budgets throughout the year to ensure these are achieved.

Overall services are on track to meet their savings. 86% of the total target has been achieved as at the end of September. A number of the savings relate to reductions to staffing budgets which have been achieved with the removal of posts.

Council Objective Summary as at 30 September 2012

Appendix 1

	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN				EXPLANATION
	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000	% Variance	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	% Variance	
<b>Departmental Budgets</b>									
Chief Executives	2,882	2,861	21	0.73%	6,773	6,773	0	0.00%	In line with budget
Community Services	64,279	61,342	2,937	4.57%	135,883	135,840	43	0.03%	Net underspends in Adult Care & homeless accommodation offset by increased Children & Families residential costs.
Customer Services	12,982	11,502	1,480	11.40%	33,210	33,210	0	0.00%	Timing differences to date. Forecast in line with budget.
Development and Infrastructure Services	14,181	14,710	(529)	(3.73%)	31,098	31,343	(245)	(0.79%)	Shortfall in planning, building standards and car parking income forecast.
<b>Total Departmental Budgets</b>	<b>94,324</b>	<b>90,415</b>	<b>3,909</b>	<b>4.14%</b>	<b>206,964</b>	<b>207,166</b>	<b>(202)</b>	<b>(0.10%)</b>	
<b>Non-Departmental Budgets</b>									
Other Operating Inc & Exp	1,756	1,337	419	23.86%	3,295	3,161	134	4.07%	One off VAT repayments.
Joint Boards	7,510	7,512	(2)	(0.03%)	15,025	15,025	0	0.00%	In line with budget
Non-Controllable Costs	3,111	4,318	(1,207)	(38.80%)	31,734	31,894	(160)	(0.50%)	Increase in NDR rate poundage.
<b>Total Non-Departmental Budgets</b>	<b>12,377</b>	<b>13,167</b>	<b>(790)</b>	<b>(6.38%)</b>	<b>50,054</b>	<b>50,080</b>	<b>(26)</b>	<b>(0.05%)</b>	
<b>TOTAL NET EXPENDITURE</b>	<b>106,701</b>	<b>103,582</b>	<b>3,119</b>	<b>2.92%</b>	<b>257,018</b>	<b>257,246</b>	<b>(228)</b>	<b>(0.09%)</b>	<b>YTD var 3%. Forecast var 0.1%</b>
<b>Financed By</b>									
Aggregate External Finance	(96,947)	(96,947)	0	0.00%	(214,826)	(214,826)	0	0.00%	In line with budget
Local Tax Requirement	(24,638)	(28,177)	3,539	(14.36%)	(45,050)	(45,050)	0	0.00%	Timing difference for YTD
Contributions to General Fund	0	0	0	0.00%	3,760	3,760	0	0.00%	In line with budget
Deductions from General Fund	0	0	0	0.00%	(47)	(47)	0	0.00%	In line with budget
Revenue Contribution to Capital	0	0	0	0.00%	921	921	0	0.00%	In line with budget
Earmarked Reserves	0	0	0	0.00%	(1,776)	(1,776)	0	0.00%	
<b>Total Funding</b>	<b>(121,585)</b>	<b>(125,124)</b>	<b>3,539</b>	<b>(2.91%)</b>	<b>(257,018)</b>	<b>(257,018)</b>	<b>0</b>	<b>0.00%</b>	
<b>Deficit/(Surplus) for Period</b>	<b>(14,884)</b>	<b>(21,542)</b>	<b>6,658</b>		<b>0</b>	<b>228</b>	<b>(228)</b>		<b>Forecast deficit 0.1% of funding</b>

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.  
Forecast outturn or projected final outturn is the estimate now of what expenditure or income will be for the whole of the financial year.  
Variance is the difference between budget and actual or forecast.  
A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.  
A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

**Council Subjective Summary as at 30 September 2012**

**Appendix 2**

Subjective Category	YEAR TO DATE POSITION				CURRENT PROJECTED FINAL OUTTURN				EXPLANATION
	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000	% Variance	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	% Variance	
Employee Expenses	62,650	60,570	2,080	3.32%	132,253	132,416	(163)	(0.12%)	Increased costs in residential care homes.
Premises Related Expenditure	8,243	8,046	197	2.39%	14,624	14,784	(160)	(1.09%)	Increase in NDR rate poundage.
Supplies and Services	11,078	10,174	904	8.16%	22,336	22,312	24	0.11%	Minor variance
Transport Related Expenditure	11,321	11,047	274	2.42%	18,571	18,562	9	0.05%	Minor variance
Third Party Payments	63,495	63,994	(499)	(0.79%)	137,898	137,459	439	0.32%	Reduction in piers & harbours to offset D&I income reductions.
Capital Financing	0	(1,166)	1,166	0.00%	28,788	28,788	0	0.00%	Loan charges processed at year end
<b>TOTAL NET EXPENDITURE</b>	<b>156,787</b>	<b>152,665</b>	<b>4,122</b>	<b>2.63%</b>	<b>354,470</b>	<b>354,321</b>	<b>149</b>	<b>0.04%</b>	
Income	171,671	174,207	(2,536)	(1.48%)	354,470	354,093	377	0.11%	Shortfall in planning, building standards and car parking income forecast.
<b>Deficit/(Surplus) for Period</b>	<b>(14,884)</b>	<b>(21,542)</b>	<b>6,658</b>		<b>0</b>	<b>228</b>	<b>(228)</b>		

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast outturn or projected final outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

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**ARGYLL AND BUTE COUNCIL  
DEPARTMENT: CHIEF EXECUTIVE'S UNIT  
BUDGET MONITORING REPORT – SEPTEMBER 2012**

This report summarises the financial position of Chief Executive's Unit as at 30 September 2012.

- There are currently no forecast outturn variances for the full financial year.
- Net expenditure for the year to date is £21,541 less than budget – an underspend to date of 0.75%.
- Out of planned budget savings of £259,517 a total of £223,168 (86%) has been achieved to date.

Further detail is provided within this report along with other financial issues affecting the department.

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## FINANCIAL SUCCESSES, CHALLENGES, RISKS AND FUTURE ACTIONS

SUCCESSES	CHALLENGES	RISKS	FUTURE ACTIONS
The Chief Executive's Unit has an ongoing record of delivering services within budget and on achieving efficiency savings.	Continue to deliver the same level of service with reduced resources.	Challenge of implementing Support Service Review agreed savings whilst maintaining or improving level of service.	Close monitoring of budgets and the implementation of the Support Service Review savings, ensuring a favourable outturn position for the CEU.
The department had a favourable outturn position for 2011/12 and are currently forecasting to bring expenditure for 2012/13 in line with budget.			Prompt highlighting of and processing of forecast variances.

### EFFICIENCY SAVINGS AND OTHER BUDGET SAVINGS

Type of Saving	Target	Actual	Remaining	Explanation
Vacancy Savings	£36,349	£0	£36,349	Staff savings have been achieved to date but have not yet been allocated against the vacancy savings target. This will be achieved by year end.
Efficiency Savings	£223,168	£223,168	£0	Efficiency savings fully achieved.
<b>Totals</b>	<b>£259,517</b>	<b>£223,168</b>	<b>£36,349</b>	

The Efficiency Savings and Other Savings are the savings amounts removed from service budgets as per the approved 2012-13 budget. These will include Year 2 Service Review Savings and Further Savings options approved as part of the 2011-12 budget where the amount of the saving was to increase during 2012-13, or Year 3 Service Review savings which were approved as part of the 2012-13 budget process.



## OBJECTIVE SUMMARY

Service	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Chief Executive	£109,333	£90,072	£19,261	17.62%	£247,132	£247,132	£0	0.00%	YTD Variance - underspend due to vacant Chief Executive Support Officer post.
Head of Improvement and Strategic HR	£1,826,680	£1,843,603	(£16,923)	(0.93%)	£4,559,993	£4,559,993	£0	0.00%	Outwith Reporting Criteria
Head of Strategic Finance	£946,115	£926,912	£19,203	2.03%	£1,965,601	£1,965,601	£0	0.00%	Outwith Reporting Criteria
<b>Totals</b>	<b>£2,882,128</b>	<b>£2,860,587</b>	<b>£21,541</b>	<b>0.75%</b>	<b>£6,772,726</b>	<b>£6,772,726</b>	<b>£0</b>	<b>0.00%</b>	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn or projected final outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

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A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given where there is a forecast variance for the full financial year or the year to date variance exceeds £50,000 or 10%.

## SUBJECTIVE SUMMARY

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£2,645,260	£2,552,027	£93,233	3.52%	£5,712,440	£5,712,440	0.00%	0.00%	Outwith Reporting Criteria
Premises	£15,618	£9,365	£6,253	40.04%	£311,070	£311,070	0.00%	0.00%	Outwith Reporting Criteria
Supplies & Services	£128,202	£201,480	(£73,278)	(57.16%)	£641,296	£641,296	0.00%	0.00%	Variance caused by profiling. Supplies and Services budget profiling requires to be refined to reflect spending plans. Full year spend is projected to be in line with the annual budget.
Transport	£51,340	£33,039	£18,301	35.65%	£103,907	£103,907	0.00%	0.00%	YTD variance is mainly due to the profiling of Training travel where budget profiling requires to be refined to reflect spending plans. Full year spend is projected to be in line with the annual budget.
Third Party	£96,862	£89,470	£7,392	7.63%	£222,533	£222,533	0.00%	0.00%	Outwith Reporting Criteria
Income	(£55,154)	(£24,794)	(£30,360)	(55.05%)	(£218,520)	(£218,520)	0.00%	0.00%	Profiling of income budgets requires to be refined, currently the budget is split across the year when in reality most of the income will be recovered towards the end of the year. This will be addressed for future budget monitoring.
<b>Totals</b>	<b>£2,882,128</b>	<b>£2,860,587</b>	<b>£21,541</b>	<b>0.75%</b>	<b>£6,772,726</b>	<b>£6,772,726</b>	<b>£0</b>	<b>0.00%</b>	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn or projected final outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

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An explanation is given where there is a forecast variance for the full financial year or the year to date variance exceeds £50,000 or 10%.

**RED VARIANCES**

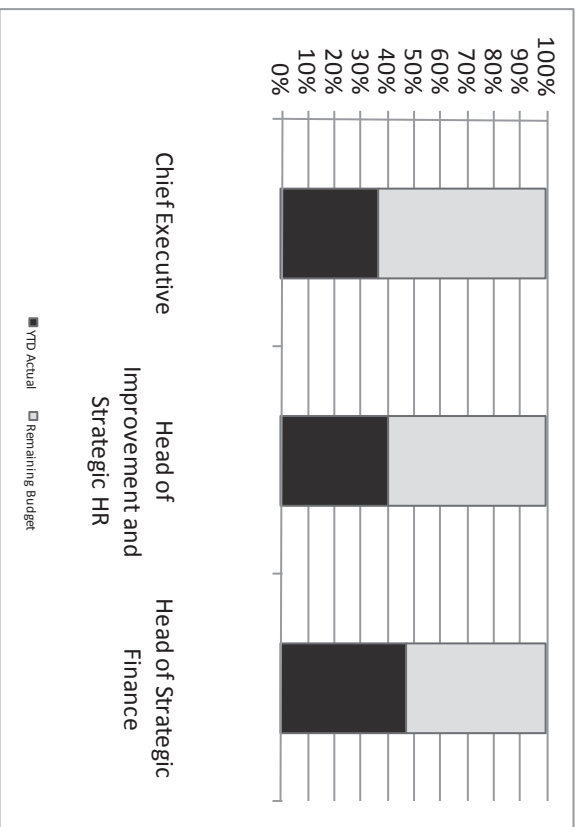
Cost Centre Description	Annual Budget	Forecast Variance	Forecast Outturn	% Variance	Explanation
There are no red variances to report this month.					

### DEPARTMENTAL BUDGET v ACTUAL GRAPH

The graph below highlights the expenditure to date against the remaining budget per Head of Service. This is a high level graph designed to help have an overall view of how much of the service budget has been spent to date.

The dark area represents the actual expenditure to date as a percentage of the total budget.

The lighter area at the top displays the remaining available budget as a percentage of the total budget.



**ARGYLL AND BUTE COUNCIL  
DEPARTMENT: COMMUNITY SERVICES  
BUDGET MONITORING REPORT – SEPTEMBER 2012**

This report summarises the financial position of Community Services as at 30 September 2012.

- The overall projection for the full financial year is a forecast underspend of £43,412 which is equivalent to 0.03%. Forecast underspends in Adult Care £44,858 and Community and Culture £66,000 have been partially offset by forecast overspends in Children and Families £64,946 and Education £2,500.
- Net expenditure for the year to date is £2,937,272 less than budget – an underspend to date of 4.57%. In the main this relates to Education £2,194,384 under budget at 30 September spread over mostly employees and premises and can be attributed to budget profile and timing differences.
- Out of planned budget savings of £3,632,289 a total of £3,228,194 (89%) has been achieved to date.

Further detail is provided within this report along with other financial issues affecting the department.

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## FINANCIAL SUCCESSES, CHALLENGES, RISKS AND FUTURE ACTIONS

SUCCESSES	CHALLENGES	RISKS	FUTURE ACTIONS
Department expected to meet efficiency savings target.	Ensure efficiency targets are met	Forecast underspends may not arise as projected.	On-going robust monitoring and forecasting
Community Services contained expenditure within budget during 2011-12.	Containing expenditure within budget	Increasing costs on Children and Families residential placements	Ongoing provision of financial information that is relevant timely, accurate and understandable to budget holders and decision makers
Forecast underspends in both Adult Care and Community and Culture as at end of September			

## EFFICIENCY SAVINGS AND OTHER BUDGET SAVINGS

Type of Saving	Target	Actual	Remaining	Explanation
Vacancy Savings	515,071	154,576	360,495	Dept is anticipated to achieve target by year end.
Efficiency Savings	1,313,024	1,313,024	0	Efficiency savings fully achieved
Other Savings	1,804,194	1,760,594	43,600	Dept is anticipated to achieve target by year end.
<b>Totals</b>	<b>3,632,289</b>	<b>3,228,194</b>	<b>404,095</b>	

The Efficiency Savings and Other Savings are the savings amounts removed from service budgets as per the approved 2012-13 budget. These will include Year 2 Service Review Savings and Further Savings options approved as part of the 2011-12 budget where the amount of the saving was to increase during 2012-13, or Year 3 Service Review savings which were approved as part of the 2012-13 budget process.

## OBJECTIVE SUMMARY

Service	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Executive Director of Community Services	£322,366	£254,013	£68,353	<b>21.20%</b>	£307,720	£307,720	£0	<b>0.00%</b>	YTD variance is profile related. No projected outturn is forecast.
Head of Education	£33,356,565	£31,162,181	£2,194,384	<b>6.58%</b>	£66,179,800	£66,182,300	(£2,500)	<b>0.00%</b>	Small projected outturn variance relates to expected reduced expenditure arising from a candidate delaying start of Scottish Qualification in Headship course offset by additional cost of a Headteacher overlap.
Head of Children and Families	£7,826,507	£7,566,072	£260,435	<b>3.33%</b>	£16,341,104	£16,406,050	(£64,946)	<b>(0.40%)</b>	This projected overspend is due to additional secure placements and the extension of existing placements beyond the period initially planned. Client packages are reviewed on a regular basis.
Head of Adult Care	£17,694,378	£17,369,613	£324,765	<b>1.84%</b>	£42,813,982	£42,769,124	£44,858	<b>0.10%</b>	The main contributing factors to the current projected outturn are underspends in Elderly Care Home Placements and Learning Disability Joint Residential. These are being offset by overspends within Homecare. YTD variance is mainly profile related due to timing of invoices for care packages.
Head of Community and Culture	£5,079,316	£4,989,981	£89,335	<b>1.76%</b>	£10,240,790	£10,174,790	£66,000	<b>0.64%</b>	Year to date variance arises due to budget profile and timing differences. Projected underspend due to reduced use of B&B temporary accommodation.
<b>Totals</b>	<b>£64,279,132</b>	<b>£61,341,860</b>	<b>£2,937,272</b>	<b>4.57%</b>	<b>£135,883,396</b>	<b>£135,839,984</b>	<b>£43,412</b>	<b>0.03%</b>	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn or projected final outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

Variance is the difference between budget and actual or forecast.

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An explanation is given where there is a forecast variance for the full financial year or the year to date variance exceeds £50,000 or 10%.

## SUBJECTIVE SUMMARY

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£41,182,410	£39,564,428	£1,617,982	3.93%	£85,341,596	£85,504,824	(£163,228)	(0.19%)	The projected outturn variance is due to net overspends on salary costs in the Council's Residential Care homes. Year to date underspend is mainly profile related.
Premises	£3,091,636	£1,984,079	£1,107,557	35.82%	£6,405,036	£6,405,036	£0	0.00%	Year to date variance is related to budget profile and timing differences. No projected outturn is forecast at this stage.
Supplies & Services	£4,526,217	£4,209,010	£317,207	7.01%	£8,977,470	£8,977,470	£0	0.00%	Year to date variance is related to budget profile and timing differences. No projected outturn is forecast at this stage.
Transport	£596,989	£689,179	(£92,190)	(15.44%)	£1,227,396	£1,217,614	£9,782	0.80%	This underspend relates to reduced travel costs for day care services.
Third Party	£22,453,427	£22,267,974	£185,453	0.83%	£50,125,954	£50,067,867	£58,087	0.12%	The main contributing factors to the current projected outturn are underspends on Elderly Residential Care and Learning Disability Residential Care which are partially offset by overspends on Elderly Homecare and C&F Residential Placements.
Income	(£7,571,548)	(£7,372,811)	(£198,737)	2.62%	(£16,194,056)	(£16,332,827)	£138,771	0.86%	The forecast variance is due to the likely net over-recovery of income in the Council's Residential Care homes due mainly to higher than expected numbers of self-funding clients.
<b>Totals</b>	<b>£64,279,131</b>	<b>£61,341,859</b>	<b>£2,937,272</b>	<b>4.57%</b>	<b>£135,883,396</b>	<b>£135,839,984</b>	<b>£43,412</b>	<b>0.03%</b>	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

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## RED VARIANCES

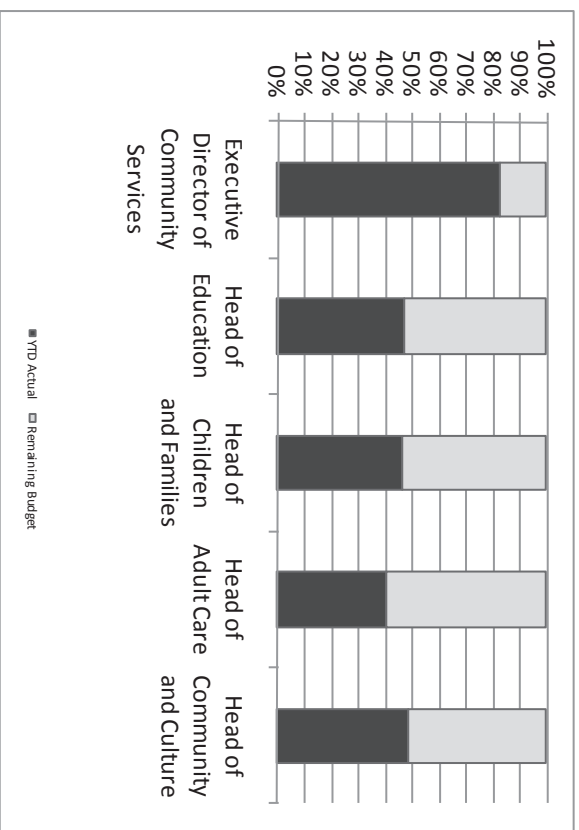
Cost Centre Description	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Adult Services	480,417	501,417	(21,000)	(4.37%)	Net shortfall on income against budget for community based charging across all of Adult Care.
Children & Families Placements Respite Adoption	3,654,134	3,719,080	(64,946)	(1.78%)	This projected overspend is due to additional secure placements and the extension of existing placements beyond the period initially planned. Client packages are reviewed on a regular basis.
Care Home Placements	8,228,551	7,871,413	357,138	4.34%	This underspend reflects current level of commitment being less than budget. This will in part reflect the ongoing shift in the balance of care and is currently offsetting the overspend within homecare.
Council Residential Units	4,131,117	4,186,074	(54,957)	(1.33%)	This overspend is the net position of an overspend in employee costs which is being partly offset by an over recovery of income from self funding clients.
Education HQ support	4,146,362	4,144,362	2,000	0.05%	This underspend relates to the postponement of Scottish Qualification in Headship (SQH) candidate studies.
ELD Day Care	422,511	412,729	9,782	2.32%	This underspend relates to reduced travel costs for day care services.
Homecare	8,866,795	9,197,795	(331,000)	(3.73%)	This overspend reflects current level of commitment which is greater than budget. This arises from the ongoing shift in the balance of care and demographic trends.
Homelessness Temp Accom	708,184	642,184	66,000	9.32%	This projected underspend relates to a reduction in the use of B&B temporary accommodation. There are statutory restrictions surrounding use of this type of temporary accommodation and the benefit received is capped. Only used in emergency circumstances.
LD Joint Residential	2,004,738	1,887,738	117,000	5.84%	Underspend reflects current level of commitment being less than budget, mainly due to changes in client packages.
LD Supported Living	5,732,606	5,779,606	(47,000)	(0.82%)	Overspend reflects current level of commitment which is greater than budget.
MH Residential Placements	206,311	210,975	(4,664)	(2.26%)	Overspend reflects current level of commitment which is greater than budget.
MH Supported Living	743,173	760,173	(17,000)	(2.29%)	Overspend reflects current level of commitment which is greater than budget.
Older People Other	530,777	414,777	116,000	21.85%	One off over recovery of income in relation to recovery of Direct Payment funds no longer required.
PD Residential Care	102,931	105,372	(2,441)	(2.37%)	Overspend reflects current level of commitment which is greater than budget.
PD Supported Living	607,050	684,050	(77,000)	(12.68%)	Overspend reflects current level of commitment which is greater than budget.
Primary Schools	24,705,897	24,710,397	(4,500)	(0.02%)	Overspend reflects overlap of Headteacher posts at one school.
	<b>65,271,554</b>	<b>65,228,142</b>	<b>43,412</b>		

### DEPARTMENTAL BUDGET v ACTUAL GRAPH

The graph below highlights the expenditure to date against the remaining budget per Head of Service. This is a high level graph designed to help have an overall view of how much of the service budget has been spent to date.

The dark area represents the actual expenditure to date as a percentage of the total budget.

The lighter area at the top displays the remaining available budget as a percentage of the total budget.



**ARGYLL AND BUTE COUNCIL  
DEPARTMENT: CUSTOMER SERVICES  
BUDGET MONITORING REPORT – SEPTEMBER 2012**

This report summarises the financial position of Customer Services as at 30 September 2012.

- There are currently no forecast outturn variances for the full financial year.
- Net expenditure for the year to date is £1,480,161 less than budget – an underspend to date of 11.40%. The main factors contributing to this are payments to transport contractors and for the NPDO which are both less than budgeted at this point in the year.
- Out of planned budget savings of £970,466 a total of £899,626 (93%) has been achieved to date.

Further detail is provided within this report along with other financial issues affecting the department.

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## FINANCIAL SUCCESSES, CHALLENGES, RISKS AND FUTURE ACTIONS

SUCCESSES	CHALLENGES	RISKS	FUTURE ACTIONS
Ongoing track record of delivering services within budget.	Achieving the savings set within the budget for 2012/13 and beyond. Specifically, the procurement savings on contract renewals for transport.	Inflationary cost pressures especially in relation to fuel.	Ongoing robust performance monitoring to ensure financial issues are promptly fed back to the Service & Departmental Management Teams.
Ongoing track record of delivering on efficiency targets.	Dealing with the impact of the loss of key staff.	Impact of Numbers/uptake - Transport, Benefits.	Efficiency savings ongoing across the Department/Council.
Achieved the overall savings set within the budget for 2011/12.	Delivering on service review outcomes.	Changes in external funding regime.	

### EFFICIENCY SAVINGS AND OTHER BUDGET SAVINGS

Type of Saving	Target	Actual	Remaining	Explanation
Vacancy Savings	£81,681	£40,841	£40,840	These savings will be more difficult to achieve as posts have been removed as part of service review savings options thus reducing the base available on which to make a saving.
Efficiency Savings	£676,161	£646,161	£30,000	
Other Savings	£212,624	£212,624	£0	Other savings fully achieved.
<b>Totals</b>	<b>£970,466</b>	<b>£899,626</b>	<b>£70,840</b>	

The Efficiency Savings and Other Savings are the savings amounts removed from service budgets as per the approved 2012-13 budget. These will include Year 2 Service Review Savings and Further Savings options approved as part of the 2011-12 budget where the amount of the saving was to increase during 2012-13, or Year 3 Service Review savings which were approved as part of the 2012-13 budget process.

## OBJECTIVE SUMMARY

Service	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Executive Director of Customer Services	£4,718,680	£4,382,264	£336,416	7.13%	£13,991,043	£13,991,043	£0	0.00%	YTD Variance - Variance is mainly due to the NPDO where payments are behind the original anticipated YTD spend due to ongoing contract reviews. Forecast Variance - No outturn variances are currently forecast.
Head of Customer and Support Services	£2,191,001	£1,897,561	£293,440	13.39%	£6,360,071	£6,360,071	£0	0.00%	YTD Variance - Mainly due to the profiling of ICT Applications and ICT Infrastructure (£137k), where payments are behind the original anticipated YTD spend. Forecast Variance - No outturn variances are currently forecast.
Head of Governance and Law	£930,777	£764,104	£166,673	17.91%	£1,872,530	£1,872,530	£0	0.00%	YTD Variance - Mainly due to Election Income (£106k) from the Scottish Government. Forecast Variance - No outturn variances are currently forecast.
Head of Facility Services	£5,141,834	£4,458,202	£683,632	13.30%	£10,986,428	£10,986,428	£0	0.00%	YTD Variance - Variance is mainly due to profiling of property costs and transport payments, where payments are behind the original anticipated YTD spend. Forecast Variance - No outturn variances are currently forecast.
<b>Totals</b>	<b>£12,982,292</b>	<b>£11,502,131</b>	<b>£1,480,161</b>	<b>11.40%</b>	<b>£33,210,072</b>	<b>£33,210,072</b>	<b>£0</b>	<b>0.00%</b>	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn or projected final outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

Variance is the difference between budget and actual or forecast.

A positive variance is when actual or forecast expenditure is less than budget or actual or forecast income is more than budget.

A negative variance is shown in brackets and is when actual or forecast expenditure is more than budget or actual or forecast income is less than budget.

An explanation is given where there is a forecast variance for the full financial year or the year to date variance exceeds £50,000 or 10%.

## SUBJECTIVE SUMMARY

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£7,153,323	£6,822,201	£331,122	4.63%	£15,398,596	£15,398,596	£0	0.00%	YTD Variance - There are variances over a wide range of cost centres, in particular within pupil transport - driver escorts which will offset delays in transport procurement savings, and from delays in filling posts. These will offset the vacancy saving target Forecast Variance - No outturn variances are currently forecast.
Premises	£977,791	£904,855	£72,936	7.46%	£2,343,414	£2,343,414	£0	0.00%	YTD Variance - Mainly due to a delay in recharging of refuse collection(£58k). Forecast Variance - No outturn variances are currently forecast.
Supplies & Services	£1,978,232	£1,836,943	£141,289	7.14%	£4,221,742	£4,221,742	£0	0.00%	YTD Variance - This is mainly due to the profiling of ICT supplies (£104k), where payments are behind the original anticipated YTD spend. Forecast Variance - No outturn variances are currently forecast.
Transport	£5,879,876	£5,744,991	£134,885	2.29%	£6,436,657	£6,436,657	£0	0.00%	YTD Variance - This is mainly due to the profiling of internal hire charges (£67k), where payments are behind the original anticipated YTD spend. Forecast Variance - No outturn variances are currently forecast.
Third Party	£21,616,295	£21,115,653	£500,642	2.32%	£47,395,753	£47,395,753	£0	0.00%	YTD Variance - Mainly due NPDO payments (£319k) and Transport payments (£194k), where payments are behind the original anticipated YTD spend. Forecast Variance - No outturn variances are currently forecast.
Income	-£24,623,225	-£24,922,512	£299,287	1.22%	-£42,586,090	-£42,586,090	£0	0.00%	YTD Variance - Mainly due to depots income (£132k) and property design income (£76k) where income is in advance of the original budgeted profile. Forecast Variance - No outturn variances are currently forecast.
<b>Totals</b>	<b>£12,982,292</b>	<b>£11,502,131</b>	<b>£1,480,161</b>	<b>11.40%</b>	<b>£33,210,072</b>	<b>£33,210,072</b>	<b>£0</b>	<b>0.00%</b>	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn or projected final outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

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An explanation is given where there is a forecast variance for the full financial year or the year to date variance exceeds £50,000 or 10%.

**RED VARIANCES**

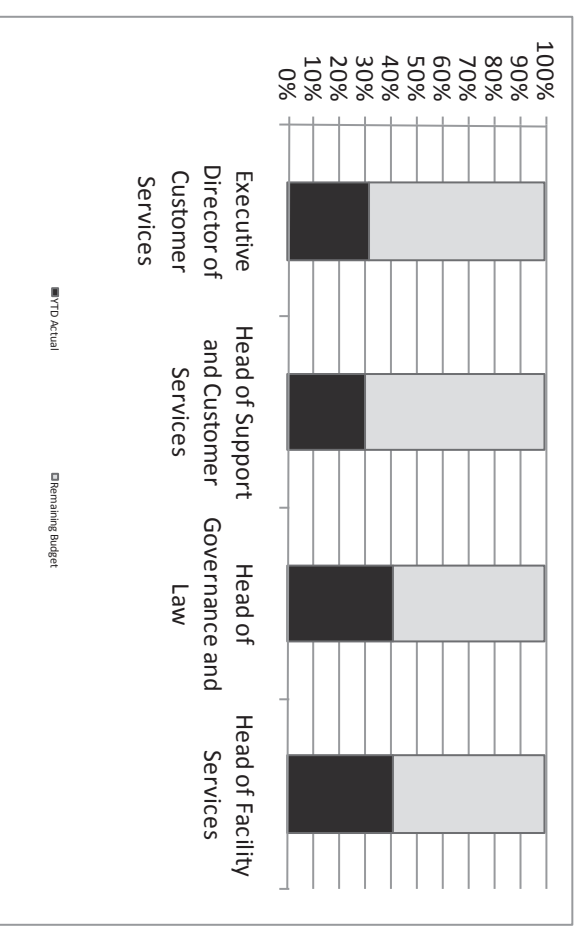
Cost Centre Description	Annual Budget	Projected Variance	Projected Final Outturn	% Variance	Explanation
There are no red variances to report this month					

### DEPARTMENTAL BUDGET v ACTUAL GRAPH

The graph below highlights the expenditure to date against the remaining budget per Head of Service. This is a high level graph designed to help have an overall view of how much of the service budget has been spent to date.

The dark area represents the actual expenditure to date as a percentage of the total budget.

The lighter area at the top displays the remaining available budget as a percentage of the total budget.





**ARGYLL AND BUTE COUNCIL**  
**DEPARTMENT: DEVELOPMENT AND INFRASTRUCTURE SERVICES**  
**BUDGET MONITORING REPORT – SEPTEMBER 2012**

This report summarises the financial position of Development and Infrastructure Services as at 30 September 2012.

- The overall projection for the full financial year is a forecast overspend of £245,000 which is equivalent to 0.79%. Forecast overspends are projected in Planning and Regulatory Services of £285,000 due to reduced fee income and Roads and Amenity Services of £140,000 due to a shortfall in car parking income. This has been partially offset by a forecast underspend in Economic Development of £180,000 due to planned delays in piers and harbours works.
- Net expenditure for the year to date is £529,418 less than budget – an underspend to date of 3.73%. In the main this relates to Roads and Amenity Services and is due to budget profiling and timing differences.
- Out of planned budget savings of £2,040,793 a total of £1,552,341 (76%) has been achieved to date.

Further detail is provided within this report along with other financial issues affecting the department.

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## FINANCIAL SUCCESSES, CHALLENGES, RISKS AND FUTURE ACTIONS

SUCCESSES	CHALLENGES	RISKS	FUTURE ACTIONS
With the exception of additional costs in relation to winter maintenance and storm damage the department delivered services in line with budget allocation for 2011-12	Look for alternative ways of achieving the estimated shortfall in Planning and Building Standard Income and Car Parking income	Level of shortfall in Planning and Building Standards income and Car Parking income	Closely monitor planning and building warrant fee income and car parking income, and consider how these issues can be addressed when setting future year revenue budget
Delays have been planned in piers and harbours works to partially offset projected overspends.	Achieving vacancy savings target in light of adverse forecast outturn position	The costs of operating Dunoon Pier do not drop in line with the reductions in income	Prepare a business plan for the operation of Dunoon Pier
75% of planned savings have been achieved	More focussed approach to managing Road Operations spend to ensure this is brought in line with budget at the year-end	Future costs of Winter Maintenance and storm damage cannot be estimated, risk of cost exceeding available budget	
	Amending the Waste PPP contract		

## EFFICIENCY SAVINGS AND OTHER BUDGET SAVINGS

Type of Saving	Target	Actual	Remaining	Explanation
Vacancy Savings	£130,091	£0	£130,091	Vacancy savings have not yet been identified to offset target.
Efficiency Savings	£990,272	£869,713	£120,559	A number of savings options are due to realise savings later in the financial year.
Other Savings	£920,430	£682,318	£238,112	A number of savings options are due to realise savings later in the financial year.
<b>Totals</b>	<b>£2,040,793</b>	<b>£1,552,031</b>	<b>£488,762</b>	

The Efficiency Savings and Other Savings are the savings amounts removed from service budgets as per the approved 2012-13 budget. These will include Year 2 Service Review Savings and Further Savings options approved as part of the 2011-12 budget where the amount of the saving was to increase during 2012-13, or Year 3 Service Review savings which were approved as part of the 2012-13 budget process.

## OBJECTIVE SUMMARY

Service	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Executive Director of Development and Infrastructure Services	£966,380	£844,832	£121,548	12.58%	£1,944,137	£1,944,137	£0	0.00%	YTD is profile related and will be refined.
Head of Planning and Regulatory Services	£1,597,202	£1,765,735	(£168,533)	(10.55%)	£3,047,462	£3,332,462	(£285,000)	(9.35%)	The forecast overspend is due to the activity on both planning fee and building warrant fee income generation being less than budgeted. This is being partial offset by planned underspend in Anti Social Behaviour - Noise Nuisance and Tobacco Sales Enforcement. The year to date variance supports the projected outturn.
Head of Economic Development	£848,351	£437,718	£410,633	48.40%	£2,850,222	£2,670,222	£180,000	6.32%	The forecast underspend is due to a planned delay in commencing works in Piers and Harbours to partly offset the adverse variance for the whole department. The year to date variance is due to profiling which will be refined.
Head of Roads and Amenity Services	£10,768,845	£11,661,911	(£893,066)	(8.29%)	£23,255,725	£23,395,725	(£140,000)	(0.60%)	The forecast overspend is due an estimated shortfall in the level of Car Parking Income, the level of income generated has reduced year on year. The income in 2008-09 was £879k and in 2011-12 was £748k, a reduction of £131k or approximately 15%. The year to date variance is due to profiling which will be refined.
<b>Totals</b>	<b>£14,180,778</b>	<b>£14,710,196</b>	<b>(£529,418)</b>	<b>(3.73%)</b>	<b>£31,097,546</b>	<b>£31,342,546</b>	<b>(£245,000)</b>	<b>(0.79%)</b>	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn or projected final outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

Variance is the difference between budget and actual or forecast.

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An explanation is given where there is a forecast variance for the full financial year or the year to date variance exceeds £50,000 or 10%.

## SUBJECTIVE SUMMARY

Subjective Category	YTD Budget	YTD Actual	YTD Variance	% Variance	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Employee	£10,918,787	£10,120,950	£797,837	7.31%	£23,697,898	£23,697,898	£0	0.00%	The year to date variance is due to profiling which will be refined.
Premises	£1,123,841	£958,565	£165,276	14.71%	£2,322,317	£2,322,317	£0	0.00%	The year to date variance is due to profiling which will be refined.
Supplies & Services	£3,889,989	£3,548,914	£341,075	8.77%	£7,739,259	£7,715,259	£24,000	0.31%	The underspend is due to a planned reduction in spend on Anti Social Behaviour - Noise Nuisance assisting in offset the adverse variance for the whole department. The year to date variance is due to profiling which will be refined.
Transport	£4,649,702	£4,483,247	£166,455	3.58%	£10,510,142	£10,510,142	£0	0.00%	Outwith Reporting Criteria
Third Party	£11,434,267	£12,212,204	(£777,937)	(6.80%)	£24,360,041	£23,979,041	£381,000	1.56%	The forecast underspend is due to a planned delay in commencing works in Piers and Harbours, restriction on discretionary spend with car parking and reduced spend on Tobacco Sales Enforcement to assisting in offset the adverse variance for the whole department. The year to date variance is due to profiling which will be refined.
Capital Financing	£126	£0	£126	0.00%	£251	£251	£0	0.00%	Outwith reporting criteria
Income	(£17,835,934)	(£16,613,684)	(£1,222,250)	(6.85%)	(£37,532,362)	(£36,882,362)	(£650,000)	(1.73%)	The adverse variance is due to the level of income being generated by planning fees, building warrant fees and car parking charges are less than budgeted. The year to date variance is due to profiling which will be refined.
<b>Totals</b>	<b>£14,180,778</b>	<b>£14,710,196</b>	<b>(£529,418)</b>	<b>(3.73%)</b>	<b>£31,097,546</b>	<b>£31,342,546</b>	<b>(£245,000)</b>	<b>(0.79%)</b>	

YTD is year to date and represents the actual or budgeted expenditure and income for the financial year so far.

Forecast Outturn or projected final outturn is the estimate now of what expenditure or income will be for the whole of the financial year.

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## RED VARIANCES

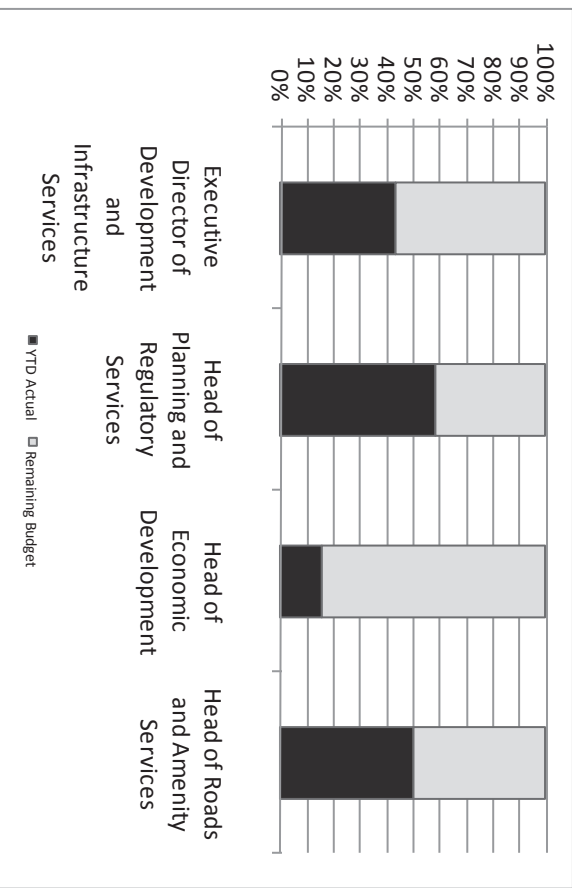
Cost Centre Description	Annual Budget	Forecast Outturn	Forecast Variance	% Variance	Explanation
Carparking	(344,008)	(204,008)	(140,000)	40.70%	The levels of income being generated are not meeting budgetary level and they are reducing year on year. The income in 2008-09 was £879k and in 2011-12 was £748k, a reduction of £131k or approximately 15%.
Building Standards	(84,927)	65,073	(150,000)	176.62%	The activity on building warrant fees income generation is less than was budgeted for.
Development Management	635,522	835,522	(200,000)	(31.47%)	The activity on planning fees income generation is less than was budgeted for.
Tobacco Sales Enforcement	81,605	40,605	41,000	50.24%	Planned underspend on this activity to assist with reducing the overall overspend
Piers and Harbours	303,358	123,358	180,000	59.34%	Planned delay in commencing works to partly offset adverse overall position for Development and Infrastructure Services
<b>Totals</b>	<b>591,550</b>	<b>860,550</b>	<b>(269,000)</b>		

### DEPARTMENTAL BUDGET v ACTUAL GRAPH

The graph below highlights the expenditure to date against the remaining budget per Head of Service. This is a high level graph designed to help have an overall view of how much of the service budget has been spent to date.

The dark area represents the actual expenditure to date as a percentage of the total budget.

The lighter area at the top displays the remaining available budget as a percentage of the total budget.



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**CAPITAL PLAN MONITORING REPORT – 30 SEPTEMBER 2012**

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**1 SUMMARY**

1.1 This provides an update on the position with the capital plan as at 30 September 2012. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects. Matters requiring a decision by the Council are referred to in the recommendations section.

1.2 The position on the capital plan can be summarised as set out below:

**1.3 Project Delivery:**

- Asset Sustainability – Out of 205 projects there are 193 projects (93%) on track, 13 projects (6%) off track and recoverable and 1 project (1%) off track.
- Service Development - Out of 52 projects there are 42 project (81%) on track, 8 projects (15%) off track but recoverable and 2 projects (4%) off track.
- Strategic Change – Out of 26 projects there are 18 projects (70%) on track, 3 projects (10%) off track and recoverable and 5 projects (20%) off track.

**1.4 Financial Position:**

- Forecast Outturn for 2012-13 – Forecast expenditure for the full financial year is £34,353k compared to an annual budget of £36,593k giving rise to forecast slippage for the year of £2,240k (6.1%).
- Current Year to Date: Actual expenditure to date is £14,655k compared to a budget for the year to date of £16,025k giving rise to an underspend for the year to date of £1,370k (8.5%).
- Total Capital Plan – The forecast total project cost on the total capital plan is £138,055k compared to a total budget for all projects of £136,190k giving rise to a forecast overspend for the overall capital plan of £1,865k (1.4%).



## 2 RECOMMENDATIONS

2.1 The capital plan monitoring report is noted.

2.2 Budget of £3,638k is transferred from 2012-13 to 2013-14 in respect to Helensburgh Office Project to take account of the delayed start on site.

2.3

Project	Request
Milton Burn/Flood Prevention	Transfer of £95k from Flood Prevention to Milton Burn to cover the extra cost of work at John Street
Consolidated Server Replacement/IT Education	Transfer of £49k from IT Education Project 2012-13 and transfer of £77k from IT Education Project 2013-14 to Server Replacement programme to cover cost of 5 year support package which was not originally budgeted for.
Consolidated Server Replacement/Applications Project	Transfer of £163k to cover expenditure for the server environment

## 3 DETAIL

### 3.1 Project Delivery – Summary

3.1.1 In total there are 283 projects in the capital plan. There are 251 projects on track (89%). There are 24 projects off track and recoverable (8%). There are 8 projects off track (3%). Variance explanation sheets are attached for all 8 of the off track projects. The 8 off track projects are as follows:

- North Bute Primary School – See Appendix 1
- Milton Burn Flood Prevention, Dunoon– See Appendix 2
- Consolidated Server Replacement– See Appendix 3
- Primary and Pre5 Campus Dunoon– See Appendix 4
- Oban High School Biomass– See Appendix 5
- Helensburgh Office Project– See Appendix 6
- Kilmory Biomass– See Appendix 7
- Islay High School Biomass– See Appendix 8

3.1.2 The breakdown of projects between on track, off track and recoverable and off track by department is set out below.

	On Track	Off Track & Recoverable	Off Track
Customer Services	204	20	7
Development & Infrastructure	47	4	1
Total	251	24	8



**3.2 Project Delivery – Asset Sustainability**

**3.3 Project Delivery – Service Development**

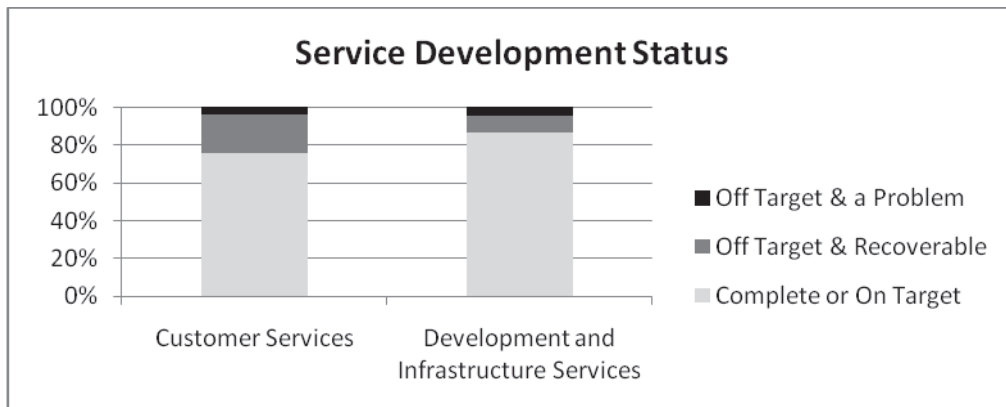
3.3.1 The graph below shows the status of Service Development Projects shown as Complete or On Target, Off Target and Being Recovered or Off Target and a Problem.

As at 30 September the position was:-

- 42 Projects shown as On Target
- 8 Projects shown as Off Target and Recoverable
- 2 Project shown as Off Target

**Milton Burn** - Discussions are still ongoing to establish the final sum due for the John Street part of the contact. It is estimated that the final costs will be £785k (subject to the agreement of the Engineer). A report is attached

**Consolidated Server Replacement** - When purchasing ICT related hardware, it is common practice to procure associated maintenance and support services upfront as a combined hardware and support package. The support element was not included within the original budget made available for the replacement of servers. A report is attached.



**3.4 Project Delivery – Strategic Change**

3.4.1 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 30 September the position was:-

- 18 projects shown as On Target
- 3 projects shown as Off Target & Recoverable
- 5 projects shown as Off Target

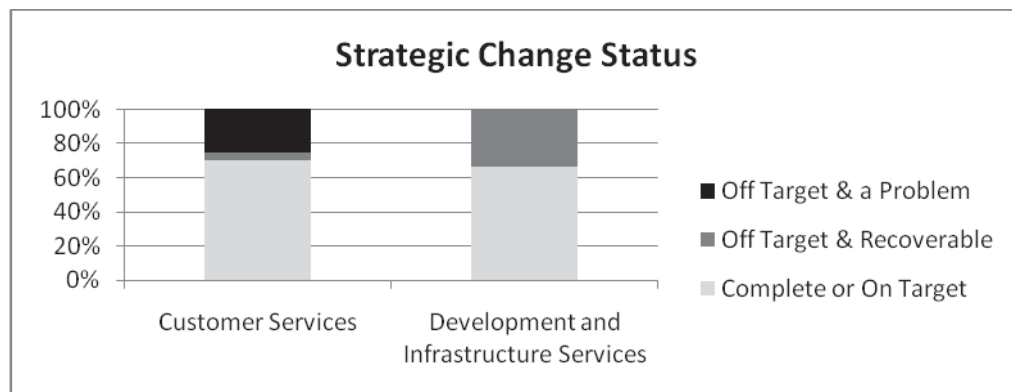
**Primary & Pre 5 Joint Campus in Dunoon** – Delayed due to investigations into options being commissioned.

**Oban High School Biomass** - A gas conversion is now being pursued for Oban as the biomass option no longer reflects value for money. Negotiations are ongoing with Scottish Gas Networks to obtain a connection but no firm date has been established for this due to local capacity issues. In view of the foregoing, no spend is anticipated in 2012/13.

**Helensburgh Office Project** - The Council confirmed in September that the procurement method was to be a traditional route as opposed to via hubco. Therefore only two contract payments likely this financial year, remainder of expenditure likely to occur in 13/14 and 14/15.

**Kilmory Biomass** - In order to eliminate the current risk of an award challenge, Legal and Procurement have advised that a re-tendering process should be conducted.

**Islay High School Biomass** - In order to eliminate the current risk of an award challenge, Legal and Procurement have advised that a re-tendering process should be conducted.



### 3.5 Financial Performance - Forecast Outturn For 2012-13

3.5.1 Forecast expenditure for the full financial year is £34,353k compared to an annual budget of £36,593k giving rise to forecast slippage for the year of £2,240k (6.1%). Forecast expenditure for the year on asset sustainability is forecast to exceed budget by £2,214k. Forecast expenditure for the year on strategic change projects is forecast to be £4,459k less than budget. In departmental terms Customer Services are forecasting slippage of £3,351k and Development and Infrastructure are forecasting acceleration of £1,111k.

3.5.2 The main project giving rise to the forecast slippage for 2012-13 is noted below:

Project	Variance	Explanation
Helensburgh	£3,638k	The Council confirmed in September that the procurement method was to be a traditional route as opposed to via hubco. Therefore only two contract payments likely this financial year, remainder of expenditure likely to occur in 13/14 and 14/15.
	£3,638k	

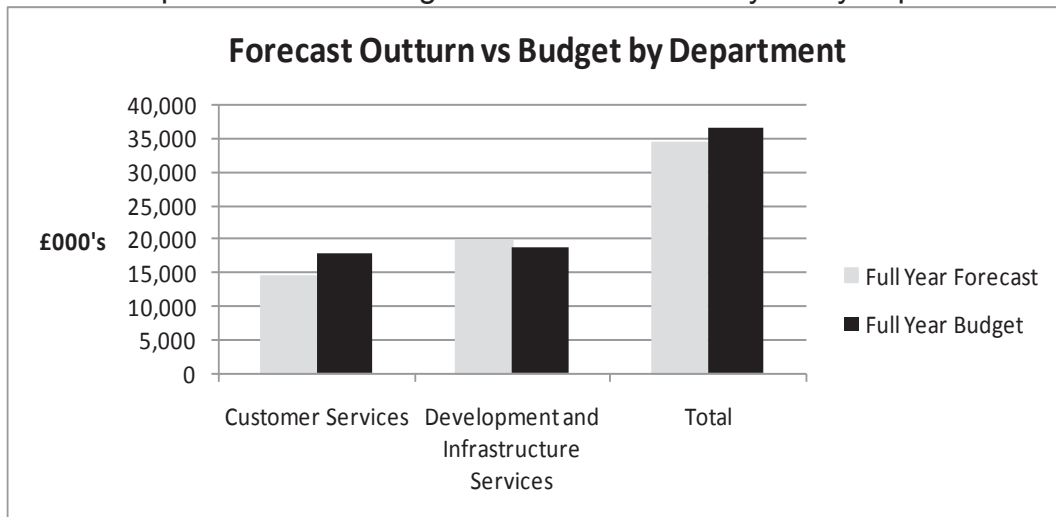
3.5.3 Analysis of Forecast Financial Position By Expenditure – This table compares forecast expenditure and budget for the full financial year across project types.

	Annual Budget £000s	Forecast Outturn £000s	Forecast Variance £000s	Explanation
Asset Sustainability	15,776	17,990	(2,214)	Fleet £1,044 (awaiting lease draw down position) Roads Reconstruction is forecast to be over by £443k. There are various projects within Education also forecast to be over by £823k
Service Development	5,097	5,102	(5)	
Strategic Change	15,270	11,261	4,459	Mainly Helensburgh Office
Total	36,593	34,353	2,240	

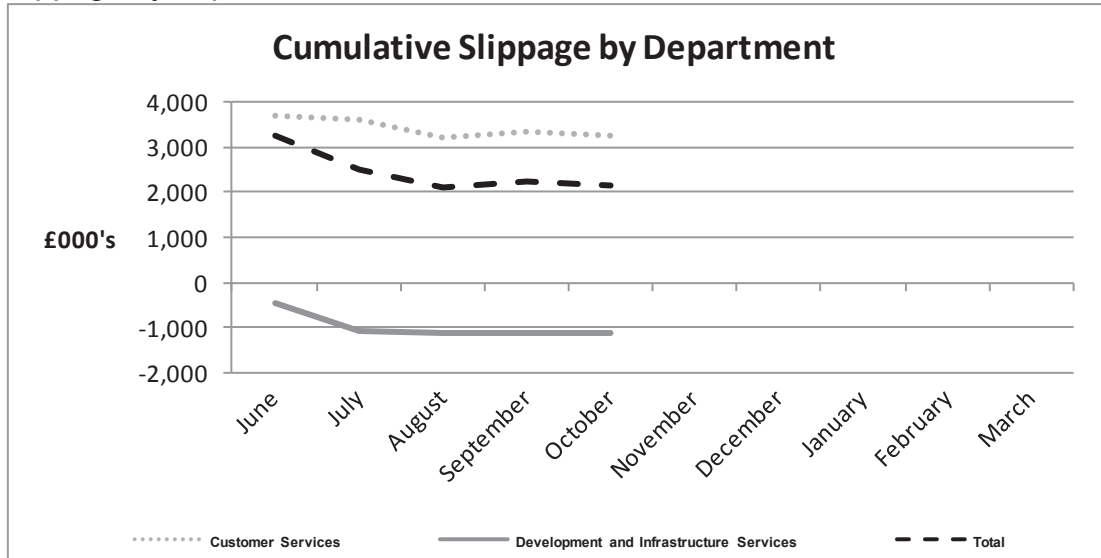
3.5.4 Analysis of Forecast Financial Position By Department - This table compares forecast expenditure and budget for the full financial year across by department.

	Annual Budget £000s	Forecast Outturn £000s	Forecast Variance £000s	Explanation
Customer Services	17,855	14,504	3,351	Mainly Helensburgh Office
Development & Infrastructure	18,738	19,849	(1,111)	Mainly Fleet £1,042 (awaiting lease draw down position)
<b>Total</b>	<b>36,593</b>	<b>34,353</b>	<b>2,240</b>	

3.5.5 Graph – Forecast Outturn V Budget By Department - This graph compares forecast expenditure and budget for the full financial year by department.



3.5.6 Graph - Cumulative Slippage By Dept - This graph shows the trend in slippage by department.



### 3.6 Financial Performance - Current Year To Date Expenditure

3.6.1 Actual expenditure to date is £14,655k compared to a budget for the year to date of £16,025k giving rise to an underspend for the year to date of £1,370k (8.5%). Year to date expenditure on asset sustainability is £2,185 less than budget. Year to date expenditure on service development projects is £379k more than budget. Year to date expenditure on strategic change projects is £436k more than budget. In departmental terms Customer services expenditure for the year to date is £941k more than budget and Development and Infrastructure expenditure for the year to date is £2,311k less than budget.

3.6.2 The main project giving rise to the year to date under spend is noted below:

Project	Variance	Explanation
Roads Reconstruction	£2,951k	Work progressing – payments to be processed

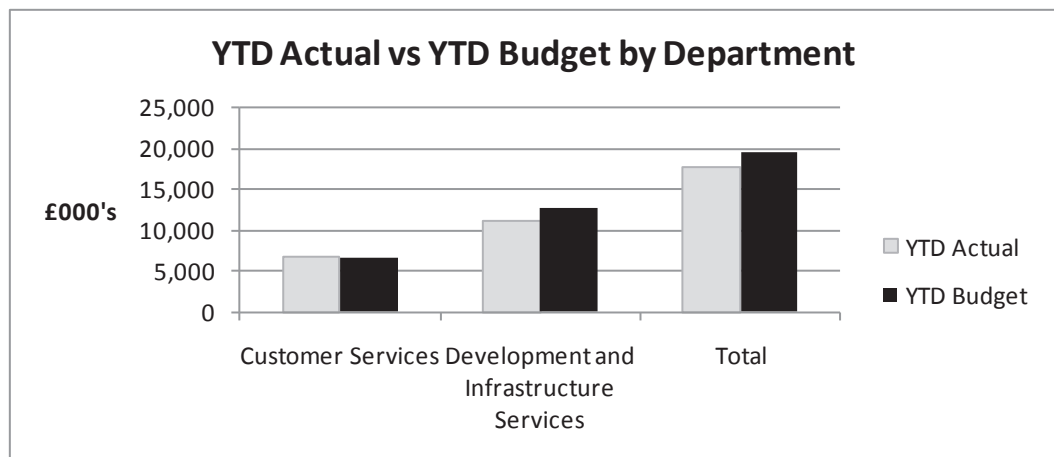
3.6.3 Analysis of YTD Financial Position By Expenditure – This table compares budget and actual expenditure for the year to date across project types.

	YTD Budget £000s	YTD Actual £000s	YTD Variance £000s	Explanation
Asset Sustainability	10,445	8,260	2,185	Mainly Roads Reconstruction
Service Development	3,061	3,440	(379)	
Strategic Change	2,519	2,955	(436)	
<b>Total</b>	<b>16,025</b>	<b>14,655</b>	<b>1,370</b>	

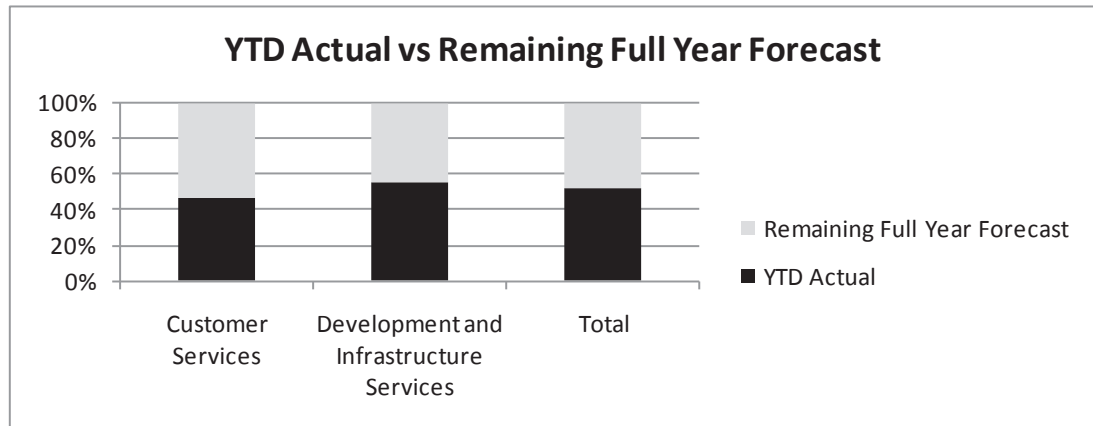
3.6.4 Analysis of YTD Financial Position By Department - This table compares budget and actual expenditure for the year to date by department.

	YTD Budget £000s	YTD Actual £000s	YTD Variance £000s	Explanation
Customer Services	5,283	6,224	(941)	
Development & Infrastructure	10,742	8,431	2,311	Mainly Roads Reconstruction
<b>Total</b>	<b>16,025</b>	<b>14,655</b>	<b>1,370</b>	

3.6.5 Graph – YTD Actual V YTD Budget By Department – This graph compares budget and actual expenditure for the year to date by department.



- 3.6.6 Graph – Actual YTD V Remaining Full Year Forecast - This graph shows the actual expenditure to date and the amount of the full year forecasts still to be spent by department.



### 3.7 Total Capital Plan Costs

- 3.7.1 The forecast total project cost on the total capital plan is £138,055k compared to a total budget for all projects of £136,190k giving rise to a forecast overspend for the overall capital plan of £1,865k (1.4%). Total project costs for asset sustainability are forecast to be £1,683k more than budget. Total project costs for service development are forecast to be £227k more than budget. Total project costs for strategic change are forecast to be £25k less than budget. In departmental terms Customer services total project costs are forecast to be £1,573k more than budget and Development and Infrastructure total project costs are forecast to be £292k more than budget

- 3.7.2 The main projects giving rise to the forecast overspend on total project costs are noted below:

Project	Variance	Explanation
Fleet Management	£736k	Awaiting lease draw down decision
Islay High School	£130k	Extra works required on site
Colgrain Primary School	£125k	Electrical Tenders came in over budget
Milton Burn	£95K	John Street part of project, higher estimate from Engineer
Lochdonhead Primary School	£65k	Additional expenditure required due to space issues
Rothsay Library	£65k	Further work was found to be necessary when contractor exposed the scheme

3.7.3 Analysis of Total Project Costs By Expenditure – This table compares budget and actual expenditure for total project costs across project types.

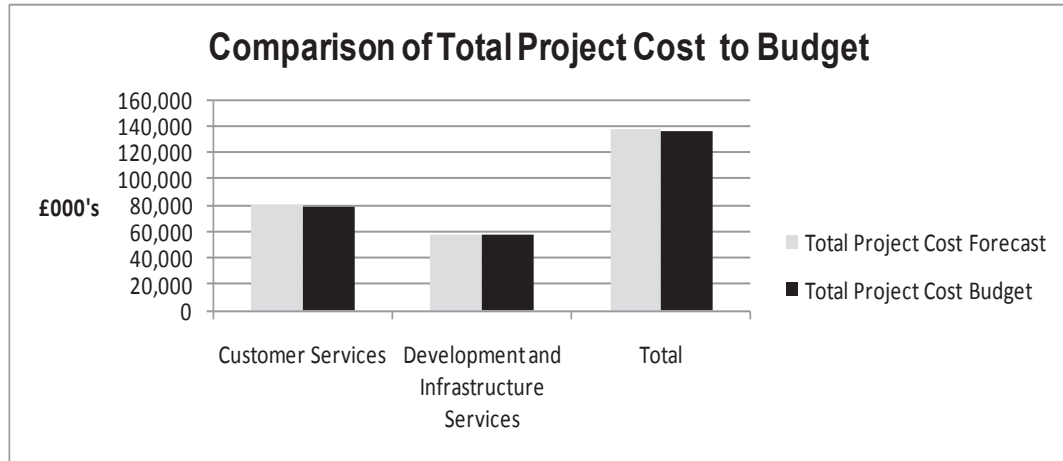
	Total Plan Budget £000s	Total Plan Forecast Actual £000s	Total Plan Variance £000s	Explanation
Asset Sustainability	66,244	67,907	(1,683)	Various Residual Education Projects £788k, 2012-13 and various 2012-13 Education Projects £615k
Service Development	16,685	16,912	(227)	
Strategic Change	53,261	53,236	25	
Total	136,190	138,055	(1,865)	

3.7.4 Analysis of Total Project Costs By Department - This table compares budget and actual expenditure for total project costs by department.

	Total Plan Budget £000s	Total Plan Forecast Actual £000s	Total Plan Variance £000s	Explanation
Customer Services	78,624	80,197	(1,573)	Various Residual Education Projects £788k, 2012-13 and various 2012-13 Education Projects £615k
Development & Infrastructure	57,566	57,858	(292)	
Total	136,190	138,055	(1,865)	



3.7.5 Graph – Comparison of Total Project Costs - This graph shows the forecast total project costs and the budget for total project costs by department.



Bruce West  
Head of Strategic Finance  
8 November 2012

**ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL FINANCIAL SUMMARY 30 September 2012**

	Current Financial Year To Date			Full Year This Financial Year			Total Project Costs		
	Actual £000s	Budget £000s	Variance £000s	Forecast £000s	Budget £000s	Variance £000s	Forecast £000s	Budget £000s	Variance £000s
<b>Asset Sustainability</b>									
Customer Services	4,300	3,325	-975	8,583	7,631	-952	40,869	39,386	-1,483
Development & Infrastructure Services	3,960	7,120	3,160	9,407	8,145	-1,262	27,038	26,858	-180
<b>Asset Sustainability Total</b>	<b>8,260</b>	<b>10,445</b>	<b>2,185</b>	<b>17,990</b>	<b>15,776</b>	<b>-2,214</b>	<b>67,907</b>	<b>66,244</b>	<b>-1,663</b>
<b>Service Development Projects</b>									
Customer Services	1,694	1,758	64	2,706	2,721	15	9,596	9,476	-120
Development & Infrastructure Services	1,746	1,303	-443	2,396	2,376	-20	7,316	7,209	-107
<b>Service Development Total</b>	<b>3,440</b>	<b>3,061</b>	<b>-379</b>	<b>5,102</b>	<b>5,097</b>	<b>-5</b>	<b>16,912</b>	<b>16,685</b>	<b>-227</b>
<b>Strategic Change Projects</b>									
Primary & Pre 5 Joint Campus in Dunoon	2	0	-2	50	240	190	335	375	40
Campbeltown Schools Redevelopment	11	0	-11	75	108	33	275	275	0
Dunoon Office Rationalisation	1	1	0	1	1	0	30	30	0
Energy Efficiency Projects	2	0	-2	65	65	0	150	150	0
Tarbert Academy Oil to Biomass Heating	0	2	2	288	288	0	364	364	0
Lochgilthead NPDO Oil to Biomass Heating	2	2	0	403	403	0	503	503	0
Oil to Gas Heating Conversions	69	89	20	335	335	0	395	395	0
Installation of Photovoltaic Panels	8	8	0	209	209	0	259	259	0
200kw Packaged Oil to Biomass	0	0	0	255	255	0	321	321	0
Wind Turbine Projects	0	0	0	70	70	0	120	120	0
Kilmory Biomass Carbon Management	28	0	-28	455	455	0	486	486	0
Islay HS/Bowmore PS Carbon Management	28	0	-28	485	485	0	515	515	0
Oban HS Biomass Carbon Management	0	0	0	0	457	457	489	489	0
Dalintober PS Carbon Management	0	0	0	2	2	0	53	53	0
New Helensburgh Swimming Pool	0	0	0	0	-10	-10	7,662	7,652	-10
NPDO Capital Requirement - residual payments	0	0	0	100	100	0	6,030	6,030	0
Aqualibrium - residual payments	1	0	-1	10	10	0	6,191	6,191	0
Helensburgh Office Project	78	98	20	372	4,010	3,638	5,284	5,284	0
Mid Argyll Offices Reorganisation	0	0	0	20	20	0	270	270	0
Campbeltown & Rothesay Rationalisation	0	0	0	0	0	-20	0	0	0
OBC for Dunoon Pier	0	0	0	2,023	2,023	0	2,023	2,023	0
Kintyre Renewables Hub	2,713	2,317	-396	5,988	6,188	200	8,162	8,162	0
Bruichladdich Pier	0	0	0	5	5	0	2,088	2,088	0
Rothesay Harbour Ferry Berth Improvements	4	1	-3	8	3	-5	6,431	6,426	-5
Dunoon Pier	7	0	-7	7	-32	-39	987	987	0
Port Askaig Pier	1	1	0	15	30	15	3,813	3,813	0
<b>Strategic Change Total</b>	<b>2,955</b>	<b>2,519</b>	<b>-436</b>	<b>11,261</b>	<b>15,720</b>	<b>4,459</b>	<b>53,236</b>	<b>53,261</b>	<b>25</b>
<b>Total for all Departments</b>	<b>14,655</b>	<b>16,025</b>	<b>1,370</b>	<b>34,353</b>	<b>36,593</b>	<b>2,240</b>	<b>138,055</b>	<b>136,190</b>	<b>-1,865</b>

Year to date expenditure is £14,655k compared to the year to date budget of £16,025k, resulting in a variance of £1,370k. The forecast for the whole of 2012/13 is for expenditure of £36,927k compared to the budget of £36,593k, giving a variance of £2,240k. In terms of total project costs, these are currently forecast to exceed the budget by £1,865k.

<p><b>Project Name</b> – North Bute Primary School  <b>First Added to Capital Plan</b> – 2009/10  <b>Project Manager</b> – A S Redpath</p>
<p><b>What project?</b></p> <p>North Bute Primary School</p>
<p><b>How is this project funded?</b></p> <p>From the Education Capital Programme</p>
<p><b>Why is the project classified as Off Target</b></p> <p>The forecast expenditure in 2012/13 is £50,000</p> <p>The approved budget in 2012/13 is £228,000</p> <p>A package of improvements designed to keep the school safe and operational over the next 2 years is now nearing completion. These works have cost an estimated £50k which has been met from the originally allocated sum</p>
<p><b>What has caused the issue outlined above?</b></p> <p>Decisions in respect of the balance of allocated funding will follow the update of the Education estate strategy as informed by the recommendations of the Commission on Rural Education.</p>
<p><b>What action will be taken to rectify this issue?</b></p> <p>Once a decision has been made funding will be allocated as appropriate.</p> <p>In the interim a request shall be made through the Strategic Asset Management Board to reprofile the budget.</p>
<p><b>What are the implications of the action proposed?</b></p> <p>The remaining budget will be secured pending the decision referred to above.</p>

<b>Project Name – Milton Burn, Dunoon – Flood Prevention Scheme</b>					
First Added to Capital Plan – 2000					
Project Manger: Arthur McCulloch					
	Tender Issue	Tender Return	Works Start	Works Complete	Cost £
Original Plan:	John St.	John St.	John St.	John St.	
Gross Exp	Mar 11.	April 11.	May 11.	Dec 11.	2,486,000
Income	Milton	Milton	Milton	Milton Burn	0
Net Exp	Burn	Burn	Burn	Sept 12	2,486,000
	Oct 11	Nov 11	Jan 12		
Current Forecast:	John St.	John St.	John St.	John St.	
Gross Exp	Mar 11.	April 11.	June 11.	Feb 12.	2,581,000
Income	Milton	Milton	Milton	Milton Burn	0
Net Exp	Burn	Burn	Burn	June12.	2,581,000
	Oct 11	Nov 11	Jan 12		
Variance:	None	None	John	John Street	
Gross Exp			Street 1	2 months;	95,000
Income			month;	Milton Burn	0
Net Exp			Milton	3 months	95,000
			Burn	early.	
			none.		
Contractor	Storie (Argyll) Ltd for first phase completed in 2009. George Leslie Ltd for John Street and for Milton Burn works.				
<b>What is this project?</b>					
Flood alleviation measures for the Milton Burn in Dunoon.					
<b>How is this Project Funded?</b>					
Council's Capital Budget					
<b>Why is this project classified as red?</b>					
Predicted overall increase in expenditure in this financial year.					
<b>What has caused the issue outlined above?</b>					
Unforeseen ground conditions were encountered in the sewer diversion for the John Street works. 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.					
<b>What action will be taken to rectify this issue?</b>					
The contractor and Engineer's staff worked closely together to facilitate an 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 discussions have been held with the contractor to establish the final sum due. The anticipated additional budget necessary (£95,000) for Milton Burn could be vired from Flood Prevention.					
<b>What are the implications of the action proposed?</b>					
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.					

<p><b>Project Name</b> – Consolidated Server Replacement  <b>First Added to Capital Plan</b> –2011/12  <b>Project Manager</b> – S MacKenzie / D Bailey</p>
<p><b>What project?</b></p> <p>Server Replacement Project</p>
<p><b>How is this project funded?</b></p> <p>Capital Funding</p>
<p><b>Why are projects classified as red?</b></p> <p>An overspend over £125k is predicated against the original £700k budget.</p>
<p><b>What has caused the issue outlined above?</b></p> <p>When purchasing ICT related hardware, it is common practice to procure associated maintenance and support services upfront as a combined hardware and support package. The support element was not included within the original budget made available for the replacement of servers.</p>
<p><b>What action will be taken to rectify this issue?</b></p> <p>A substantial saving has emerged within the Applications Development service development budget. It is very likely that vehicle tracking devices will be acquired on a lease basis rather than outright purchase. Part of this saving will be used to offset the overspend in the Consolidated Server Replacement budget.</p>
<p><b>What are the implications of the action proposed?</b></p> <p>This action will remove the predicted overspend against the Server Consolidation project. The revised total spend in 2011/12 will be £825k, an increase of £125k. The spend for Applications development will be reduced by £125k.</p>

**Project Name** – Primary & Pre 5 Joint Campus in Dunoon

**First Added to Capital Plan** – 2010/11

**Project Manager** – A S Redpath

**What project?**

Primary & Pre 5 Joint Campus in Dunoon

**How is this project funded?**

From the Education Capital Programme

**Why is the project classified as Off Target**

This project is delayed due to investigations now being carried out into a wide range of options for the future provision of Primary Education within Dunoon. These options include the refurbishment of existing schools, and possible alternate sites for new build options.

The current forecast of expenditure in 2012/13 is £50,000

The approved budget in 2012/13 is £240,000

**What has caused the issue outlined above?**

Concerns raised by members of the public (local residents and parents) over the proposals to build a new shared primary campus on the site of the existing Kirn Primary School. To address these concerns the new administration instructed the commissioning of a comprehensive investigation into the future provision of Primary education within Dunoon. This has put the current new build scheme on hold and the planning application and associated work has been postponed.

In addition, the government's decision to adopt a revenue funding stream and NPDO delivery model for new schools projects has reduced the requirement for capital funding on such projects.

**What action will be taken to rectify this issue?**

The spending profile on this project will be reviewed as will the current capital budget requirements. This will allow the budget to be reprofiled as necessary with any surplus amount being vired to other projects.

**What are the implications of the action proposed?**

The Strategic Asset Management Board will be requested to approve the reprofiling of the budget.

**Project Name** – Oban High School Biomass  
**First Added to Capital Plan** – June 2010  
**Project Manager** – Property Services Manager

**What project?**

The conversion of the heating from oil supplied to biomass

**How is this project funded?**

Prudential Borrowing

**Why is the project classified as Off Target**

Development of the design indicated that the original concept design no longer represented value for money. This has resulted in additional options to be investigated with an associated impact on the project timeline.

In the interim, the Scottish Government has announced funding for the replacement of Oban High School. Tenders received from West Highland Housing Association will be evaluated in this revised context prior to seeking further instruction from Community Services.

**What has caused the issue outlined above?**

The consideration of the following has impacted on the project timeline

1. A potential for biomass conversion is still being considered for Oban High School as a joint venture with West Highland Housing Association.
2. Investigations are also progressing for a gas conversion which includes consultation with Scottish Gas Networks.
3. No firm date has been given by SGN for a gas connection due to local capacity issues.

**What action will be taken to rectify this issue?**

The Joint Venture is currently being tendered by WHHA to allow financial modelling for a business case.

The potential to convert the site's domestic hot water from oil to gas using the limited existing gas supply at the school is being pursued.

**What are the implications of the action proposed?**

In view of the foregoing, no spend is anticipated in 2012/13.

<p><b>Project Name</b> – Helensburgh Office Project  <b>First Added to Capital Plan</b> – Aug 2005 as a Business Case  <b>Project Manager</b> – Consultant (Faithful + Gould)</p>
<p><b>What project?</b></p> <p>Helensburgh Office Project</p>
<p><b>How is this project funded?</b></p> <p>From the above mentioned Programmes</p>
<p><b>Why is the project classified as Off Target</b></p> <p>Procurement of this project was delayed by 4 months to allow investigation of delivery via the Northern Territory hubco. Following completion of this exercise, the Council agreed in September that a traditional procurement route was to be followed.</p>
<p><b>What has caused the issue outlined above?</b></p> <p>This was as a result of the need to investigate delivery of the Project via the SFT/Northern Territory Hubco as opposed to using traditional procurement route as had been identified in the Outline Business Case</p>
<p><b>What action will be taken to rectify this issue?</b></p> <p>Project has been re-programmed and now progressing in line with revised programme, no further action necessary.</p> <p>The capital monitoring will be reconciled to reflect the new programme.</p>
<p><b>What are the implications of the action proposed?</b></p> <p>Revised programme indicates Tender issue on 30<sup>th</sup> November and commencement of work on site in April 2013.</p>



<p><b>Project Name</b> – Kilmory Biomass  <b>First Added to Capital Plan</b> – June 2010  <b>Project Manager</b> – Property Services Manager</p>
<p><b>What project?</b></p> <p>The conversion of the heating from oil supplied to biomass at Kilmory</p>
<p><b>How is this project funded?</b></p> <p>Prudential Borrowing</p>
<p><b>Why is the project classified as Off Target</b></p> <p>In order to eliminate the current risk of an award challenge, Legal and Procurement have advised that a re-tendering process should be conducted</p>
<p><b>What has caused the issue outlined above?</b></p> <p>The tender returns were substantially above the estimated cost for the works indicated in the tender package.</p>
<p><b>What action will be taken to rectify this issue?</b></p> <p>The works will be re-tendered.</p>
<p><b>What are the implications of the action proposed?</b></p> <p>The works will now take place later than anticipated to take account of the re-tendering process.</p>

<p><b>Project Name</b> – Islay High School Biomass  <b>First Added to Capital Plan</b> – June 2010  <b>Project Manager</b> – Property Services Manager</p>
<p><b>What project?</b></p> <p>The conversion of the heating from oil supplied to biomass at Islay High School and Bowmore Primary School</p>
<p><b>How is this project funded?</b></p> <p>Prudential Borrowing</p>
<p><b>Why is the project classified as Off Target</b></p> <p>In order to eliminate the current risk of an award challenge, Legal and Procurement have advised that a re-tendering process should be conducted.</p>
<p><b>What has caused the issue outlined above?</b></p> <p>There was only one tender return which was substantially above the estimated cost for the works indicated in the tender package.</p>
<p><b>What action will be taken to rectify this issue?</b></p> <p>The works will be re-tendered.</p>
<p><b>What are the implications of the action proposed?</b></p> <p>The works will now take place later than anticipated to take account of the re-tendering process.</p>

**TREASURY MANAGEMENT MONITORING REPORT – 30 SEPTEMBER 2012**
**1 INTRODUCTION**

- 1.1 This report summarises the monitoring as at 30 September 2012 of the Council's:
- Overall Borrowing Position
  - Borrowing Activity
  - Investment Activity
  - Economic Forecast
  - Prudential Indicators.

**2 RECOMMENDATIONS**

- 2.1 The treasury management monitoring report is noted.

**3 DETAIL**
***Overall Borrowing Position***

- 3.1 The table below details the estimated capital financing requirement (CFR) and compares this with the estimated level of external debt at the 31 March 2013. The CFR represents the underlying need for the Council to borrow to fund its fixed assets and accumulated capital expenditure.

	<b>Forecast 2012/13 £000's</b>	<b>Budget 2012/13 £000's</b>	<b>Forecast 2013/14 £000's</b>	<b>Forecast 2014/15 £000's</b>
CFR at 1 April	256,617	254,791	272,021	281,522
Net Capital Expenditure	34,353	32,988	27,525	13,534
Less Loans Fund Principal Repayments	(18,949)	(18,949)	(18,024)	(17,592)
<b>Estimated CFR 31 March</b>	<b>272,021</b>	<b>268,830</b>	<b>281,522</b>	<b>277,464</b>
Less Funded by NPDO	(82,576)	(80,674)	(81,152)	(79,728)
<b>Estimated Net CFR 31 March</b>	<b>189,445</b>	<b>188,156</b>	<b>200,370</b>	<b>197,736</b>
Estimated External Borrowing at 31 March	160,407	160,365	160,407	160,407
<b>Gap</b>	<b>29,038</b>	<b>27,791</b>	<b>39,963</b>	<b>37,329</b>

- 3.2 Borrowing is currently estimated to be below the CFR for the period to 31 March 2013. This reflects the approach taken to minimise surplus cash on deposit in order to avoid overdue exposure to investment / credit worthiness risks. However if it becomes clear that longer term interest rates are due to increase significantly the position will be reviewed to ensure the Council locks in funding at low interest rates.

- 3.3 The Council's estimated net capital financing requirement at the 30 September 2012 is £189.445m. The table below shows how this has been financed. Whilst borrowing is less than CFR there are substantial internal balances (mainly the General Fund) of which £53.8m is currently invested.

	at 30/6/2012 £000's	at 30/9/2012 £000's
Loans	160,404	160,341
Internal Balances	79,333	82,909
Less Investments & Deposits	(51,657)	(53,805)
Total	188,080	189,445

### ***Borrowing Activity***

- 3.4 The table below summarises the borrowing and repayment transactions in the period 1 July 2012 to 30 September 2012.

	Actual £000's
External Loans Repaid 1 July to 30 September 2012	63
Borrowing undertaken 1 July to 30 September 2012	0
<b>Net Movement in External Borrowing</b>	<b>(63)</b>

- 3.5 No local bonds were repaid in the period 1 July 2012 to 30 September 2012.
- 3.6 No new loans were taken out in the period 1 July 2012 to 30 September 2012.
- 3.7 The table below summarises the movement in level and rate of temporary borrowing at the start and end of the quarter. Owing to the levels of internal balances and surplus costs temporary borrowing has been minimal.

	£000s	% Rate
Temp borrowing at 1 July 2012	534	0.18
Temp borrowing at 30 September 2012	470	0.18

### ***Investment Activity***

- 3.8 The average rate of return achieved on the Council's investments to 30 September 2012 was 1.442% compared to the average LIBID rate for the same period of 0.387% which demonstrates that the Council is achieving a reasonable rate of return on its cash investments. At the 30 September 2012 the Council had £53.8m of short term investment at an average rate of 1.545%. The table below details the counterparties that the investments were placed with, the maturity date, the interest rate and the credit rating applicable for each of the counterparties.

Counterparty	Maturity	Amount £000s	Interest Rate	Rating
Bank of Scotland	Instant Access	4,000	0.75%	Short Term A-1, Long Term A
Bank of Scotland	14/12/2012	20,000	2.50%	
Royal Bank of Scotland	Instant Access	17,000	0.75%	Short Term A-1, Long Term A
Royal Bank of Scotland	95 Days Notice	10,000	1.25%	
Clydesdale Bank	Instant Access	2,805	0.50%	Short Term A-2, Long Term BBB+
<b>Total</b>		<b>53,805</b>		

- 3.9 All investments and deposits are in accordance with the Council's approved list of counterparties and within the limits and parameters defined in the Treasury Management Practices. The counterparty list is constructed based on assessments by leading credit reference agencies adjusted for additional market information available in respect of the counterparties.
- 3.10 The current market conditions have made investment decisions more difficult as the number of counterparties which meet the Council's parameters has reduced making it harder to achieve reasonable returns while limiting the exposure to any one institution.
- 3.11 In response to the low investment returns available in the market and the reduced likelihood of increases in base rate it has been decided to place fixed deposits with the part nationalised banks for periods up to 12 months to increase returns without significantly increasing the risks associated with the investments.

### ***Economic Forecast***

- 3.12 The economic background for the period to 30 September 2012 is shown in appendix 1.

### ***Prudential Indicators***

- 3.13 The prudential indicators for 2012-13 are attached in appendix 2.

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

Bruce West  
Head of Strategic Finance  
18 October 2012

Appendix 1

**Economic background:**

Economic sentiment, in respect of the prospects for the UK economy to recover swiftly from recession, suffered a major blow in August when the Bank of England substantially lowered its expectations for the speed of recovery and rate of growth over the coming months and materially amended its forecasts for 2012 and 2013. It was noted that the UK economy is heavily influenced by worldwide economic developments, particularly in the Eurozone, and that on-going negative sentiment in that area would inevitably permeate into the UK's economic performance.

With regard to the Eurozone, investor confidence remains weak because successive "rescue packages" have first raised, and then disappointed, market expectations. However, the uncertainty created by the continuing Eurozone debt crisis is having a major effect in undermining business and consumer confidence not only in Europe and the UK, but also in America and the Far East/China.

In the UK, consumer confidence remains very depressed with unemployment concerns, indebtedness and a squeeze on real incomes from high inflation and low pay rises, all taking a toll. Whilst inflation has fallen considerably (CPI @ 2.6% in July), UK GDP fell by 0.5% in the quarter to 30 June, the third quarterly fall in succession. This means that the UK's recovery from the initial 2008 recession has been the worst and slowest of any G7 country apart from Italy (G7 = US, Japan, Germany, France, Canada, Italy and UK). It is also the slowest recovery from a recession of any of the five UK recessions since 1930 and total GDP is still 4.5% below its peak in 2008.

This weak recovery has caused social security payments to remain elevated and tax receipts to be depressed. Consequently, the Chancellor's plan to eliminate the annual public sector borrowing deficit has been pushed back further into the future. The Monetary Policy Committee has kept Bank Rate at 0.5% throughout the period while quantitative easing was increased by £50bn to £375bn in July. In addition, in June, the Bank of England and the Government announced schemes to free up banking funds for business and consumers.

On a positive note, despite all the bad news on the economic front, the UK's sovereign debt remains one of the first ports of call for surplus cash to be invested in and gilt yields, prior to the ECB bond buying announcement in early September, were close to zero for periods out to five years and not that much higher out to ten years.

3.2 Outlook for the next six months of 2012/13

The risks in economic forecasts continue unabated from the previous treasury strategy. Concern has been escalating that the Chinese economy is heading for a hard landing, rather than a gentle slowdown, while America is hamstrung by political deadlock which prevents a positive approach to countering weak growth. Whether the presidential election in November will remedy this deadlock is debatable but urgent action will be required early in 2013 to address the US debt position. However, on 13 September the Fed. announced an aggressive stimulus programme for the economy with a third round of quantitative easing focused on boosting the

stubbornly weak growth in job creation, and this time with no time limit. They also announced that it was unlikely that there would be any increase in interest rates until at least mid 2015.

Eurozone growth will remain weak as austerity programmes in various countries curtail economic recovery. A crunch situation is rapidly developing in Greece as it has failed yet again to achieve deficit reduction targets and so may require yet another (third) bail out. There is the distinct possibility that some of the northern European countries could push for the ejection of Greece from the Eurozone unless its financial prospects improve, which does not seem likely at this juncture. A financial crisis was also rapidly escalating over the situation in Spain. However, in early September the ECB announced that it would purchase unlimited amounts of shorter term bonds of Eurozone countries which have formally agreed the terms for a bailout. Importantly, this support would be subject to conditions (which have yet to be set) and include supervision from the International Monetary Fund. This resulted in a surge in confidence that the Eurozone has at last put in place the framework for adequate defences to protect the Euro. However, it remains to be seen whether the politicians in charge of Spain and Italy will accept such loss of sovereignty in the light of the verdicts that voters have delivered to the politicians in other peripheral countries which have accepted such supervision and austerity programmes. The Eurozone crisis is therefore far from being resolved as yet. The immediate aftermath of this announcement was a rise in bond yields in safe haven countries, including the UK. Nevertheless, this could prove to be as short lived as previous “solutions” to the Eurozone crisis.

The Bank of England Quarterly Inflation Report in August pushed back the timing of the return to trend growth and also lowered its inflation expectations. Nevertheless, concern remains that the Bank’s forecasts of a weaker and delayed robust recovery may still prove to be over optimistic given the world headwinds the UK economy faces. Weak export markets will remain a drag on the economy and consumer expenditure will continue to be depressed due to a focus on paying down debt, negative economic sentiment and job fears. The Coalition Government, meanwhile, is likely to be hampered in promoting growth by the requirement of maintaining austerity measures to tackle the budget deficit.

The overall balance of risks is, therefore, weighted to the downside:

- We expect low growth in the UK to continue, with Bank Rate unlikely to rise in the next 24 months, coupled with a possible further extension of quantitative easing. This will keep investment returns depressed.
- The expected longer run trend for PWLB borrowing rates is for them to eventually rise, primarily due to the need for a high volume of gilt issuance in the UK and the high volume of debt issuance in other major western countries. However, the current safe haven status of the UK may continue for some time, tempering any increases in yield.
- This interest rate forecast is based on an assumption that growth starts to recover in the next three years to a near trend rate (2.5%). However, if the Eurozone debt crisis worsens as a result of one or more countries having to leave the Euro, or low growth in the UK continues longer, then Bank Rate is likely to be depressed for even longer than in this forecast.

## APPENDIX 2 : PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2012/13	2012/13	2013/14	2014/15
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT	£ p	£ p		£ p
	Original Estimate	Forecast Outturn	Forecast Outturn	Forecast Outturn
	£'000	£'000	£'000	£'000
<b>Capital Expenditure</b>				
Non - HRA	32,988	32,988	27,525	13,534
TOTAL	32,988	32,988	27,525	13,534
<b>Ratio of financing costs to net revenue stream</b>				
Non - HRA	11.90%	11.90%	12.14%	13.40%
<b>Net borrowing requirement</b>				
brought forward 1 April *	254,791	279,431	268,830	278,131
carried forward 31 March *	268,830	282,122	278,131	274,073
in year borrowing requirement	14,039	2,691	9,301	(4,058)
<b>In year Capital Financing Requirement</b>				
Non - HRA	14,039	2,691	9,301	(4,058)
TOTAL	14,039	2,691	9,301	(4,058)
<b>Capital Financing Requirement as at 31 March</b>				
Non - HRA	268,830	282,122	278,131	274,073
TOTAL	268,830	282,122	278,131	274,073
<b>Incremental impact of capital investment decisions</b>	£ p	£ p	£ p	£ p
Increase in Council Tax (band D) per annum	70.71	70.71	58.58	29.01

PRUDENTIAL INDICATOR	2012/13	2013/14	2014/15
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'000	£'000	£'000
<b>Authorised limit for external debt -</b>			
borrowing	231,000	231,000	240,000
other long term liabilities	90,000	89,000	88,000
TOTAL	321,000	320,000	328,000
<b>Operational boundary for external debt -</b>			
borrowing	226,000	226,000	235,000
other long term liabilities	89,000	88,000	87,000
TOTAL	315,000	314,000	322,000
<b>Upper limit for fixed interest rate exposure</b>			
Principal re fixed rate borrowing	180%	180%	180%
<b>Upper limit for variable rate exposure</b>			
Principal re variable rate borrowing	90%	90%	90%
<b>Upper limit for total principal sums invested for over 364 days</b> (per maturity date)	£10m	£10m	£10m

Maturity structure of new fixed rate borrowing during 2012/13	upper limit	lower limit
under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	40%	0%
10 years and above	80%	0%



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**ANNUAL INVESTMENT STRATEGY 2012-13 REVISION**

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**1 SUMMARY**

- 1.1 This reports sets out the consequential changes to the Councils investment strategy arising from the Council's decision on 23 August 2012 to allocate funding towards investment in housing.

**2 RECOMMENDATIONS**

- 2.1 To agree the changes to the investment strategy that are necessary in order to permit the investment in housing agreed by the Council on 23 August 2012 to take effect.

**3 DETAIL**

- 3.1 On 23 August 2012 Council agreed a package of measures to stimulate investment in housing. These require a revision to the investment strategy to be approved. The changes to the investment strategy that are set out below:

**Appendix 3 Treasury Management Practice (TMP1) - Permitted Investments**

The current investment strategy refers to Local Authority Mortgage Guarantee Scheme (LAMGS). The revision noted below specifies the nature of the agreed investment.

To deposit a maximum of £3m for a period of 5 years with the mortgage provider in pursuance of the Council's policy of supporting first time buyers as agreed by the Council on 23 August 2012.

**Appendix 4 Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management**

To permit the following investments:

Lending to Registered Social Landlords for the purpose of front funding pending receipt of Scottish Government grant as agreed by the Council on 23 August 2012.

Lending to Registered Social Landlords of long term loans to support financing of housing developments as agreed by the Council on 23 August 2012.

Lending to third parties in support of the Councils empty homes initiative as agreed by the Council on 23 August 2012.

3.2 Attached is a revised paragraph 6 b of Appendix 3 of the investment strategy with additional rows dd, ee, and ff for Appendix 4 of the investment strategy.

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

Bruce West  
Head of Strategic Finance  
18 October 2012

APPENDIX 3 - Treasury Management Practice (TMP1)

**PERMITTED INVESTMENTS**

- b. **Local Authority Mortgage Guarantee Scheme.** Authorities who are participating in the Local Authority Mortgage Guarantee Scheme (LAMGS) may be required to place a deposit with the mortgage provider(s) up to the full value of the guarantee. The deposit will be in place for the term of the guarantee i.e. 5 years (with the possibility of a further 2 year extension if the account is 90+ days in arrears at the end of the initial 5 years) - and may have conditions / structures attached. The mortgage provider will not hold a legal charge over the deposit. The Council limits are to deposit a maximum of £3m for a period of 5 years with the mortgage provider in pursuance of the Council's policy of supporting first time buyers as agreed by the Council on 23 August 2012.

## Appendix 4 - Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
dd. Loans to third parties as part of the Council's Empty Homes Strategy	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£1.5m and a maximum of 10 years.	
ee. Loans to third parties as part of the Council's SHF Front Funding Facility	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 3 years.	
ff. Loans to third parties as part of the Council's Long Term Loan Funding to RSL's	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 25 years.	

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**CORPORATE IMPROVEMENT PLAN**

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**1. INTRODUCTION**

- 1.1 This report sets out the main elements of the Corporate Improvement Plan. The Corporate Improvement Plan has been established to take forward corporate improvement, deliver the annual requirement for efficiency savings and support continuous improvement. The projects included in the Corporate Improvement Plan and related governance arrangements are set out in this report.

**2. RECOMMENDATIONS**

- 2.1 Members are asked to note the content, governance and reporting arrangements in respect of the Corporate Improvement Plan.

**3. DETAIL**

- 3.1 The Council has successfully progressed the projects within the Transformation Programme. One of the main elements of this has been the service review programme which has been successful in putting in place a structured and managed approach to delivering significant savings to address the Councils budget gap. This work around transformation and improvement is at a stage where the next phase of its development needs to be considered. Work has been underway to develop a Corporate Improvement Plan which will take forward corporate improvement and support continuous improvement required under Best Value.

- 3.2 The Corporate Improvement Plan takes account of:

- The challenging outlook for public sector finances which suggests medium to longer term reduction in funding.
- Our commitment on working together to improve the potential of our organisation including the following -
  - We engage with our partners, our communities and our customers to deliver high quality, continually improving, efficient and responsive services.
  - Our employees have the skills and attitudes to deliver efficient and effective services.
  - Our customers have accurate, accessible and up-to-date information about our organisation and the services that we provide.
- Improvement opportunities identified through corporate performance reviews undertaken by Internal Audit.
- Other areas for improvement opportunities identified by SMT.

- 3.3 The Corporate Improvement Plan sets out the Councils aims for a comprehensive plan of activity to improve service delivery and how the Councils works, as well as driving out financial efficiencies to meet budgetary constraints. The definition set down for the

Corporate Improvement Plan is “To deliver improvements in the management and use of resources and in the business operations of the Council thereby securing service improvements and efficiencies.”

- 3.4 The Corporate Improvement Plan will be a change programme designed to co-ordinate and challenge activity in the Council to ensure:
- We are well positioned to meet future financial challenges.
  - We secure improvements in the management and use of corporate resources.
  - We secure improvements in service efficiency and effectiveness.
  - We place customer requirements at the centre of business transformation.
  - We build on the good work from the transformation programme.
- 3.5 The Corporate Improvement Plan will be successful if it supports the Council in:
- Meeting future financial challenges.
  - Secures improvements in the management and use of corporate resources.
  - Secures improvement in service efficiency and effectiveness.
  - Has placed the customer requirements at the centre of business transformation.
- 3.6 The Corporate Improvement Plan also represents an opportunity to make a significant contribution to the public sector reform agenda. Each of the individual projects will need to demonstrate the contribution it makes to the 4 pillars of reform:
- Prevention - a decisive shift towards prevention.
  - Place - greater integration of public services at a local level driven by better partnership, collaboration and effective local delivery.
  - People - greater investment in the people who deliver services through enhanced workforce development and effective leadership.
  - Performance -a sharp focus on improving performance, through greater transparency, innovation and use of digital technology.
- 3.7 The Corporate Improvement Plan has 12 projects and the scope of each project is outlined in the following table:

<b>Project</b>	<b>Scope of Work</b>
Productivity and Service Improvement including Planning and Performance Management Framework (PPMF) Development	<ul style="list-style-type: none"> <li>• Identify and implement opportunities for service improvements in efficiency and effectiveness using PSIF, Annual Performance Reviews, Performance Management and Benchmarking. Service improvements to be built into service improvement plans and a programme of BPR reviews developed.</li> <li>• Develop approach to regular performance management reporting.</li> <li>• Oversee approach to and development of PSIF.</li> </ul>
Workforce Planning	<ul style="list-style-type: none"> <li>• Development of Workforce Planning Framework.</li> <li>• Overall approach, guidance, training, toolkit.</li> </ul>
Organisation and Employee Development	<ul style="list-style-type: none"> <li>• Overall development of the workforce including Elected Members.</li> <li>• Organisational Development Strategy/Framework, Employee Development Framework and Argyll and</li> </ul>

	<p>Bute Manager.</p> <ul style="list-style-type: none"> <li>• Elected Member training and development.</li> </ul>
Asset Management	<ul style="list-style-type: none"> <li>• Delivery of office and depot rationalisation</li> <li>• Explore opportunities to improve asset management and rationalisation across CPP.</li> <li>• Development and use of performance information.</li> </ul>
Customer Management	<ul style="list-style-type: none"> <li>• Council wide development of customer service.</li> <li>• Ongoing implementation of the customer management phase of process for change.</li> <li>• Customer Service Centre and Registration Service Review.</li> <li>• Web and Intranet Development.</li> </ul>
ICT Development and Information Management	<ul style="list-style-type: none"> <li>• Proactively looking at ICT innovations and assess potential value of these.</li> <li>• Work with services to develop and deliver projects for how ICT could bring improvement or efficiencies to services.</li> <li>• Improving information management.</li> </ul>
Support Service Review (Phase 2)	<ul style="list-style-type: none"> <li>• Review of issues/opportunities for further improvement in efficiency and effectiveness of support services.</li> </ul>
Health and Social Care Integration	<ul style="list-style-type: none"> <li>• Joint initiative between the Council and NHS Highland.</li> <li>• This project will be concerned with the internal implications for the Council and is dependant on the overall Health and Social Care Integration project.</li> </ul>
Procurement and Sourcing Strategies	<ul style="list-style-type: none"> <li>• Ongoing improvement of Procurement Capability Assessment score.</li> <li>• Controlling procurement costs through retendering, looking at demand/need for quality/volume of goods and services and specification.</li> <li>• Develop service sourcing strategies (over a three year period).</li> </ul>
Outcome Planning for CPP	<ul style="list-style-type: none"> <li>• Development of revised planning framework for CPP and development of next phase of community plan along with performance management requirements.</li> <li>• Further stages of the project will be to align financial information to community plan outcomes and integration of information to support decision making.</li> </ul>
Equalities	<ul style="list-style-type: none"> <li>• Improve content, range and accessibility of equalities training and guidance for staff and Elected Members.</li> <li>• Revise existing policies and procedures.</li> <li>• Develop outcomes in line with the public sector equalities duties.</li> <li>• Improve completion rates and quality of Equality Impact Assessments.</li> </ul>
Environmental Sustainability	<ul style="list-style-type: none"> <li>• Improvements to environmental sustainability.</li> </ul>

3.8 Not all projects will generate budget savings, however, the requirement to meet the 2%

annual efficiency savings target will come from the Corporate Improvement Plan. The table below shows the projects where budgetary savings are anticipated and the initial target savings for the next 5 years. This is an initial allocation and will require to be kept under review and adjusted accordingly as the corporate improvement plan and individual projects develop and evolve. A review of savings targets will be undertaken at least annually. The role of the projects is to develop approaches, proposals and tools that could be deployed to deliver the necessary savings. It is the responsibility of heads of service to ensure that action is taken in services to deploy these approaches, proposals and tools and deliver the actual savings. These overall savings targets will be allocated to services to ensure service deliver the necessary savings.

	2013-14 £m	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m
Productivity and Service Improvement including PPMF development	1.850	1.830	1.810	1.790	1.770
Asset Management			0.181	0.179	0.177
Procurement & Sourcing Strategies	1.850	1.830	1.629	1.611	1.593
Efficiency Saving	3.700	3.640	3.620	3.580	3.540

- 3.9 Savings may also come from the following projects, but at this stage no monetary target has been set:
- Customer Management.
  - ICT Development and Information Management.
  - Support Service Review (Phase 2).
  - Environmental Sustainability.
- 3.10 The following projects are not expected to achieve any financial savings and are aimed exclusively at improving effectiveness:
- Workforce Planning.
  - Organisation & Employee Development.
  - Health and Social Care Integration.
  - Outcome Planning / Budgeting – CPP.
  - Equalities.
- 3.11 There are also a number of elements of the Transformation Programme that are ongoing and the Corporate Improvement Plan will manage these areas through to completion. These projects will report to the Corporate Improvement Board and include:
- Admin Review.
  - Service Review Implementation.
  - Workforce Deployment.
- 3.12 The Corporate Improvement Plan will be managed using a programme and project management approach. The Corporate Improvement Plan represents the programme of corporate improvement activities across the whole Council. Within the Corporate Improvement Plan there are a number of projects and within each project a number of



workstreams.

- 3.13 The projects will be managed using PRINCE2 principles and will all have a Sponsor, Senior Responsible Officer (SRO) and Project Manager. A wide range of staff across all services is required to support the individual projects within the Corporate Improvement Plan.
- 3.14 The Corporate Improvement Board is responsible for overseeing the successful delivery of the Corporate Improvement Plan. The Corporate Improvement Board comprises the Chief Executive as sponsor of the Corporate Improvement Plan, the Head of Strategic Finance as the SRO for the Corporate Improvement Plan, the Executive Directors as sponsors of projects within the Corporate Improvement Plan, the Head of Improvement and HR as a member of SMT and the Corporate Improvement Plan Manager (Kirsty Flanagan – Finance Manager).
- 3.15 The Corporate Improvement Board will submit a report to the Performance Review and Scrutiny Committee on a quarterly basis in order to update them on the progress with the Corporate Improvement Plan.

#### **4. CONCLUSION**

- 4.1 The Corporate Improvement Plan is about managing the significant changes that need to happen to support the Council in meeting the future financial and service challenges and progressing its improvement journey. There is a wide ranging programme of projects contained in the Corporate Improvement Plan.
- 4.2 The Corporate Improvement Plan will feed into the budgeting and planning process each year given that it is expected that the Council's requirement to meet the 2% efficiency savings is expected to come from the Corporate Improvement Plan.
- 4.3 A structured approach will be adopted to managing the Corporate Improvement Plan and there will be regular reporting to the Performance Review and Scrutiny Committee.

#### **5. IMPLICATIONS**

- 5.1 Policy – None
- 5.2 Financial – The Councils requirement to meet the 2% efficiency savings target is expected to come from the Corporate Improvement Plan.
- 5.3 Personnel – None
- 5.4 Equal Opportunities – None
- 5.5 Legal – None
- 5.6 Risk – None
- 5.7 Customer Service – Included as a separate project on Corporate Improvement Plan

**Bruce West**  
**Head of Strategic Finance**  
**7 November 2012**

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**BUDGET CONSULTATION**

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**1 SUMMARY**

- 1.1 This report sets out proposals on the budget consultation exercise for 2013-14.

**2 RECOMMENDATION**

- 2.1 The proposals for budget consultation set out in this report are agreed.

**3 DETAIL**

- 3.1 For the last few years the Council has carried out a budget consultation exercise. It is generally accepted as good practice to carry out consultation as part of the budget process. It is proposed to carry out a budget consultation exercise for the 2013-14 budget.

- 3.2 It is proposed to adopt the following key messages as part of the budget consultation process:

- We are adopting a long term approach to managing the budget.
- It is likely that resources for the public sector will continue to be under pressure.
- We have been successful in managing our budget.
- Over the last few years we have managed to remove £20m of costs annually from our budget.
- Over the next 7 years we will need to reduce our current costs by £40m.
- We are an improving and more effective organisation.

- 3.3 The budget consultation will also set out how previous budget consultations have affected the budget. It will focus on how the Council spends its budget just now, what that delivers, what has been achieved and some of the key budget pressures.

- 3.4 The approach to budget consultation will be as follows:

- Face to face:
  - Presentations to area committees on the budget with an invite for community councils to attend.
  - Meetings with relevant communities of interest (eg business groups).
  - Media briefings.
- Printed documents:
  - A budget consultation document to be available from various Council premises outlining the overall approach to the budget and how the Council spends its budget.

- Posters based on the budget consultation document for display in various Council premises.
- Online:
  - Online version of budget consultation document.
  - Budget simulator tool.
  - General email address for comments on the Council budget.
  - Web chat.
  - Web casts.
  - Looking local TV station.

3.5 In addition to the above the Council will also consult with community planning partners through the CPP Management Committee. There will also be ongoing dialogue with the trade unions as the budget develops. Finally the Council will consider with partners the opportunities for engaging hard to reach groups.

3.6 Information from the budget consultation will be reported back to members prior to the February Council meeting.

#### **4 CONCLUSION**

4.1 This report sets out proposals on how it is proposed to carry out the budget consultation exercise this year.

#### **5 IMPLICATIONS**

5.1 Policy - None.

5.2 Financial – Limited costs which can be contained within budget.

5.3 Legal – None.

5.4 HR – None.

5.5 Equalities – None.

5.6 Risk – None.

5.7 Customer Services – None.

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

Bruce West  
Head of Strategic Finance  
14 November 2013

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**YOUTH EMPLOYMENT SKILLS PIPELINE AND ACTION PLAN**


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**1. SUMMARY**

- 1.1** The Argyll and Bute Employability Partnership Strategy Group (See Appendix 1) have written a Youth Employment Skills Pipeline and Action Plan that aims to build upon and improve the current provision, help and support available to young people across the local authority area.

The paper's vision is that Argyll and Bute will be a location where young people gain the knowledge, understanding, skills and experience to realise their potential, to fully participate in and contribute towards sustainable socio-economic growth.

**2. RECOMMENDATIONS**

- 2.1** To approve and support the Argyll and Bute Youth Employment Skills Pipeline and Action Plan.

**3. DETAIL**

- 3.1** The document provides a route map, identifying national and local service provision available in order to create a Strategic Skills Pipeline.

The pipeline groups activities available under 5 specific headings and in relation to identified customer need:

<b>Stage</b>	<b>Activity</b>	<b>Customer Status</b>
<b>1</b>	Referral/engagement	Not job ready
<b>2</b>	Barrier removal	Not job ready
<b>3</b>	Vocational activity	Job ready
<b>4</b>	Employer support, engagement and job matching	Job ready
<b>5</b>	In work/aftercare and skills development	In work

The pipeline maps the current available provision for the following key customer groups:

1. Those making the transition from broad general education to the senior phase of curriculum for

excellence and on to post-16 learning choices (S3–S6 secondary school pupils)

2. Those seeking support through Opportunities for All (for 16 – 19 year olds not in employment, education or training).
3. Those aged 18 years and over who are seeking support and enhancement of skills for learning and employment.
4. Those aged 18 years and over who require support as they are long-term unemployed or already in employment.

The Action Plan highlights 6 initial areas that the Argyll and Bute Employability Partnership Strategy Group believe requires immediate attention and support:

1	Support and Activity – mapping and aligning collective resources; increasing the number of school leavers in positive and sustained destinations
2	The Employer Offer – coordinated offer to businesses and organisation on support available
3	Future Job Opportunities – identify sector skills needs of employers and use this local labour information to inform young people of opportunities available across Argyll and Bute
4	Identifying barriers and gaps preventing young people moving forward through targeted support
5	Include information from the Rural Action Forum on Youth Employment within the action plan
6	Monitor the Argyll and Bute Action Plan to ensure it is meeting and addressing the needs of all involved

#### 4. CONCLUSION

4.1 The proposals outlined in this paper will make a difference to our young people:

- All young people will have access to the information, guidance and advice they require to inspire and enable them to make informed choices on the training and employment options open to them.
- Young people will be able to access skills and employability support and work experience opportunities to help them make informed choices and to progress in the labour market.
- Employers will be able to recruit skills and motivated young people, enabling their organisation to grow and prosper.
- There will be an improved number and range of

- more appropriate job opportunities for young people
- There will be year on year improvement in the number of young people progressing and sustaining positive destinations and in turn enhancing their life chances.
- Through mapping current provision the Argyll and Bute Employability Partnership Strategy Group have been able to identify gaps and overlaps. By working in partnership we will be able to better utilise our staffing and financial resources, achieving a better outcome for our organisations and our young people.

## 5. IMPLICATIONS

<b>Policy:</b>	<b>Argyll and Bute Council Community Planning Partnership</b> <b>ECONOMY</b> National Outcome 2: We realise our full economic potential with more and better employment opportunities for our people. National Outcome 3: We are better educated, more skilled and more successful, renowned for our research and innovation. <b>SOCIAL AFFAIRS</b> National Outcome 4: Our young people are successful learners, confident individuals, effective contributors and responsible citizens. National Outcome 8: We have improved the life chances for children, young people and families at risk <b>ENVIRONMENT</b> National Outcome 12: Our people have the skills, attitudes and achievements to succeed throughout their lives.
<b>Finance:</b>	Individual council departments are already supporting and/or contributing to the current provision.
<b>Legal:</b>	None
<b>HR:</b>	Help and support with research into placement opportunities available within the local authority. Paper to be written by Lead Officer: Opportunities for All.

**Equalities:** The skills pipeline will contribute to improving the life chances of young people not in employment, education or training.

**Risks:** Failure to support the achievement of sustained positive destinations will detrimentally impact on the life chances for young people across Argyll and Bute.

**Customer Services:** None

For further information contact: Aileen Goodall

Lead Officer: Opportunities for All

Telephone 01369 708544 or 07748584998

Cleland Sneddon  
Executive Director: Community Services  
[24/10/12]

**LIST OF BACKGROUND PAPERS:**

Argyll and Bute Youth Employment Skills Pipeline and Action Plan



**APPENDIX 1**

The Employability Partnership Strategy Group consists of the following members:

Argyll College, Argyll Training, Argyll and Bute Council – including representatives from the Economic Development Service (Business Gateway, Employability Team and Social Enterprise team), Community Services (Community Learning and Development, Education and Opportunities for All Team), Highlands and Islands Enterprise, JobCentre Plus, Skills Development Scotland, NHS – Community Health Partnership; Argyll and Bute Social Enterprise Network, Argyll Voluntary Action and local Business Associations/Groups.

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# **ARGYLL AND BUTE YOUTH EMPLOYMENT SKILLS PIPELINE AND ACTION PLAN**



31st October 2012

**VERSION 9**

## **ARGYLL AND BUTE'S VISION**

Argyll and Bute will be a location where young people gain the knowledge, understanding, skills and experience to realise their potential, to fully participate in and contribute towards sustainable socio-economic growth.

### **Who we are**

Lead responsibility for the Youth Employment Action Plan sits with the Employability Partnership Strategy Group and the Community Planning Partnership. The current membership of the Employability Partnership Strategy Group is as follows:

Argyll College; Argyll Training; Argyll and Bute Council –including representatives from the Economic Development Service (Business Gateway, Employability Team, and Social Enterprise Team), Community Services (Community Learning and Development, Education and Opportunities for All); Highlands and Islands Enterprise (HIE); JobCentre Plus (JC+); Skills Development Scotland (SDS); NHS – Community Health Partnership; Argyll and Bute Social Enterprise Network (ABSEN), Argyll Voluntary Action (AVA); and local Business Associations/Groups.

### **What will it look like?**

Aligned to the outcomes of the Argyll and Bute Community Planning Partnership our indicators of success will be:

- All young people will have access to the information, guidance and advice they require to inspire and enable them to make informed choices on the training and employment options open to them.
- Young people will be able to access skills and employability support and work experience opportunities to help them make informed choices and to progress in the labour market.
- Employers are able to recruit skilled and motivated young people to enable them to grow.
- An improved number and range of more appropriate job opportunities for young people.
- Year on year improvement in the number of young people progressing and sustaining positive destinations and in turn enhancing their life chances.

## Where we are now – the current position

The positive destination figure for Argyll and Bute is 89.8% which is the highest level achieved during the last 10 years and compares favourably with the Scottish average of 88.9%. Unfortunately this means that there is a cohort of young people who are not in education, training, volunteering or work. We have 9.4% who are unemployed and seeking (SDS School Leaver Destination Return (SLDR) 2010-11). This equates to 885 young people in a positive destination and 100 young people who are unemployed and seeking from a cohort of 985 young people.

Argyll and Bute has not been immune from the current economic situation which has seen a rise in claimant count level across all parts of the area since the start of the recession and mirrors the overall position for Scotland.

## Youth Employment in Argyll and Bute

This information relates to 16 – 19 year olds recorded as being unemployed and seeking on 31<sup>st</sup> May 2012 and who had been contact with SDS within the last eight weeks of this date

Characteristics of 16-19 Year Old Unemployed Group, September 2012						
Age group	Male %		Female %		Total	%Age
15/16	13	48%	14	52%	27	23%
17	19	54%	16	46%	35	30%
18/19	38	68%	18	32%	56	47%
Total	70	59%	48	41%	118	100%

## Key analysis of unemployment statistics

- § Positive school leaver destinations while higher than the Scottish average of 88.9% are still only at 89.9%. This figure has not significantly moved for the last 5 years.
- § Individuals will enter and leave the unemployed seeking group as their circumstances change, for instance, **74% (87)** of those within the current unemployed seeking cohort had secured at least one positive destination since leaving school. Also **41% (48)** have had a period of time on the Get Ready for Work programme.
- § Unemployment rates vary across the calendar year. Typically there is a peak in September; in September 2011, 133 young people were unemployed and seeking. This year the number of young unemployed dipped to 98 in January 2012.
- § Unemployment rates vary across the geography.

Figures representing Unemployed Seeking by Intermediate Datazone on 31<sup>st</sup> May 2012 are shown in the table below:

<b>Unemployed Seeking by Intermediate Datazone, May 2012</b>			
<b>Intermediate Datazone</b>	<b>Total (%)</b>	<b>Intermediate Datazone</b>	<b>Total (%)</b>
Dunoon	21 (17%)	Hunter's Quay	15 (12%)
Rothesay Town	18 (15%)	Bute	7 (6%)
Oban South	16 (13%)	Benderloch Trail	4 (3%)
Campbeltown	15 (12%)	Helensburgh North	7 (6%)
Helensburgh East	15 (12%)	Helensburgh Central	5 (4%)

- § Although the numbers are small in some areas this situation can change very quickly – the impact of low level redundancies can be significant in a rural area.
- § In some areas there are a significant number of young people with their own tenancies or residing in temporary accommodation and are in receipt of benefit while under 18.
- § In some of the more rural areas there is a lack of provision/ opportunities.
- § Across the area many of the cohort have been in some form of employment but had not been able to sustain this, for various reasons.

**Young people in Employment and Training** (This information is based on the SLDR 2010/11 and the March 2012 follow up.)

In Argyll and Bute a higher than average number of young people enter employment directly from school. Last year 19.3 % entered employment and this had increased to 24% at the follow up date.

Last year National Training Providers delivered over 26,000 Modern Apprenticeships, in over 80 different frameworks, and SDS is committed to delivering another 25,000 this financial year. Young people in the Argyll & Bute Council area had access to all National Training Programmes including: Modern Apprenticeships (MA), Get Ready for Work (GRfW) including lifeskills, and Targeted Pathways.

The number of Argyll and Bute individuals in training at 31 March 2012 is as follows:

<b>National Training Programmes</b>	
<b>Training</b>	<b>Numbers</b>
Modern Apprenticeships, 16 – 19 age group	312
Targeted Pathways to Apprenticeships	8
Get Ready for Work	34
<b>TOTAL</b>	<b>354</b>

(information provided by Skills Development Scotland)

<b>Working age population on Jobseekers Allowance</b>			
<b>JSA Claimants Aged 16-24</b>	<b>Total (%)</b>	<b>JSA Claimants 18-24</b>	<b>Total (%)</b>
January 2012	2,105 (3.5%)	January 2012	560 (8.1%)
August 2012	1'735(3.1%)	August 2012	465 (6.7%)

(information provided by Job Centre Plus)

The above statistics, taken from NOMIS, show that the level of youth unemployment is generally reflected in the rise and fall throughout the year of the working age population for the Argyll and Bute area. It also runs at approximately double the rate which has been consistent over the last 10 years.

There is also a reduction in the unemployment rate each year between March and June and again around September time. Anecdotally this reflects the uptake of “seasonal” employment such as tourism and hospitality and/or students returning to college and University may also influence these figures.

“Off flow” destination for local jobseekers would suggest that the majority find employment in their local area.

The overall percentage of Argyll and Bute unemployed persons in receipt of JSA is 3.1% for August 2012 against the Scottish average of 4.3%. (NOMIS)

### **How will we get there – Argyll and Bute Strategic Skills Pipeline**

Argyll and Bute key community planning partners are working collectively to identify and coordinate services that are available for our young people. The Argyll and Bute Strategic Skills Pipeline provides a menu of activities that creates clear linkages between the pipeline, individual need and opportunities at a local level throughout the area.

The Argyll and Bute Strategic Skills Pipeline will fit and directly contribute to the key strategic objectives outlined in the Scottish Government’s Youth Employment Strategy: Action for Jobs – Supporting Young Scots into Work.

The pipeline groups activities under five specific headings and in relation to identified need:

	<b>Type of activity</b>	<b>Customer Status</b>
<b>Stage 1</b>	Referral/Engagement	Not job ready
<b>Stage 2</b>	Barrier removal	Not job ready
<b>Stage 3</b>	Vocational activity	Job ready
<b>Stage 4</b>	Employer support, engagement and job matching	Job ready
<b>Stage 5</b>	In-Work/Aftercare and Skills Development	In Work

This document provides a route map, identifying national and local services, charting them against provision available and creating the Strategic Skills Pipeline. There are four tables that map available activities in the pipeline for the identified priority customer groups:

1. **Transition from broad general education to senior phase of curriculum for excellence and on to post-16 learning choices for pupils in secondary school S3 – S6.**
2. **Provision available under Opportunities for All for 16-19 year olds.**
3. **Provision, support and enhancement of skills for learning and employment for 18 years and over.**
4. **Support for long-term unemployed/employed for 18 and over's.**

#### **How will we get there – Argyll and Bute Youth Employment Action Plan**

The action plan lists key actions that will be implemented, monitored and evaluated by the Employability Partnership Strategy Group. Each action states who has lead responsibility for ensuring its completion, the key milestones and outcomes that will measure how successful the action has been and a section for commenting on how the action is progressing. In addition there is a further column that lists costs and approval status.

The action plan is a working document and will be updated throughout the course of the year to ensure we are making the best use of staffing, finances and resources across the partner agencies in order to support youth employment across Argyll and Bute.



## ARGYLL AND BUTE EMPLOYABILITY PIPELINE

<b>SERVICE: Transition from broad general education to senior phase of Curriculum for Excellence and on to post-16 Learning Choices</b>						
Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
S3 – S6	<p><b>Argyll and Bute Council: Education Department</b> Shown here are the programmes that tend to be available across the locality.</p> <p>Individual schools offer different opportunities that meet the needs of their young people and reflect the local circumstances.</p>	<p><b>Risk Matrix</b> An assessment techniques that assigns a risk value to a number of attributes for each pupil in secondary school using SEEMIS Data collated by Guidance Staff.</p> <p><b>Alternative Curriculum</b> Individual pupils, their parents and Guidance staff work together with key partner agencies to develop an individual timetable suited to the needs and issues that the young person faces.</p> <p><b>Living Life to the Full –</b> programme to enhance life skills, effective decision making etc; led by Educational Psychology and being piloted in Oban, Islay and Tiree</p> <p><b>S6 Option Programme</b> Opportunity for S6 pupils to study HNC/D/Degree modules and courses while remaining in school.</p>	<p><b>Flexible Timetable</b></p> <p><b>COLUMBA 1400: Ambassadors Leadership Academy</b> Young people will come to a fuller appreciation of their values, qualities and strengths so that they can affect changes in their own lives, extend their contribution to the life and ethos of the school and their wider communities. Currently being piloted in Campbeltown and Dunoon.</p> <p><b>skillsbook</b> An online electronic resource that allows all pupils (from P5 through to S6) to record the skills for learning, life and work that they are developing both in and out of school. skillsbook is a record of a young person's achievement and attainment educational journey.</p>	<p><b>Flexible Timetable</b></p> <p><b>Skills for Work</b> allows learners to develop: * skills and attitudes which will enhance employability * an understanding of the workplace * positive attitudes to learning * the Core Skills valued by employers – communication, numeracy, working with others, information technology and problem solving * skills and knowledge in a particular vocational area.</p> <p><b>Work Experience</b> <b>Work shadowing</b> <b>Extended</b> <b>Work Placement</b> Are opportunities for pupils to spend time with local employers discovering more about the world of work and specific career areas.</p> <p><b>School Social Enterprise Companies</b> Opportunity for pupils to be involved in running and developing an in-house company. They provide the opportunity to develop vocation and employability skills.</p>	<p><b>Work Experience.</b> <b>Work Shadowing.</b> <b>Extended Work Placement.</b></p>	N/A

SERVICE: Transition from broad general education to senior phase of Curriculum for Excellence and on to post-16 Learning Choices						
Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
S3 – S6	Local Colleges – Argyll College and Clydebank College			<p><b>Skills for Work</b> Designed to help learners to develop:</p> <ul style="list-style-type: none"> <li>* skills and attitudes which will enhance employability</li> <li>* an understanding of the workplace</li> <li>* positive attitudes to learning</li> <li>* the Core Skills valued by employers – communication, numeracy, working with others, information technology and problem solving</li> <li>* skills and knowledge in a particular vocational area</li> </ul>		
S3 – S6	<b>Skills Development Scotland (SDS)</b>	Multi-agency discussions to reach a decision on which partner is best suited to support the young person at this stage.	Implement a <b>coaching</b> approach to build the motivation and resilience skills of those young people, and to ensure they recognise the need to gain the capabilities that will make them successful career planners.	<p>Support the development of <b>Career Management Skills (CMS)</b>, including employability skills within the context of Skills for Work, Pathways and other CfE activity.</p> <p>Encourage pupils to assess and develop their CMS through My World of Work, ensuring all people receive a service.</p>	Encourage local sector connectivity with <b>My World of Work</b> – for example local case study examples of energy, food and drink etc.	Deliver <b>Employment Recruitment Incentive</b> to support up to 330 (nationally) young people from the most disadvantaged groups.
S3 – S6	<b>Community Learning and Development: Youth Services</b>	Identification of disengaged young people. Development of Action Plans.	<ul style="list-style-type: none"> <li>§ <b>Youth Literacy and Numeracy</b></li> <li>§ <b>Confidence building</b></li> <li>§ <b>Basic life and coping skills</b></li> <li>§ <b>Steps to Excellence</b></li> <li>§ <b>Young Scot – Youth Information</b></li> </ul>	<p><b>Accredited Learning Opportunities including:-</b></p> <ul style="list-style-type: none"> <li>§ <b>YAA</b></li> <li>§ <b>DofE</b></li> <li>§ <b>PTXL</b></li> <li>§ <b>ASDAN</b></li> </ul>		

			§ Winter leaver programmes § Steps to Excellence			
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SERVICE: Transition from broad general education to senior phase of Curriculum for Excellence and on to post-16 Learning Choices						
Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
S5 – S6	Community Learning and Development: Adult Learning		<p><b>ASDAN</b> pilot in Campbeltown to deliver modules to ASN pupils in preparation for leaving school. Delivered in community venue (Kintyre Community Education Centre). Tutor sourced by CLD; Argyll College to accredit.</p> <p><b>'Hurdles to College'</b> pilot in Dunoon - help with bursary/funding/ College applications for hard-to-reach young people (referrals only)</p>			
S3 – S6	Argyll Voluntary Action (AVA)	ASDAN accredited courses across Access Levels 1, 2 and 3. All courses open to 14 to 19+ age groups.	<p><b>Steps to Excellence</b></p> <p><b>Saltire Award Scheme</b> A new recognition programme, endorsed by the Scottish Government. The Awards recognise and applaud young people who volunteer. Through volunteering young people can gain essential life skills Accredited ASDAN certificates can also be gained with the Saltire Award Certificates.</p> <p><b>ASDAN Personal and Social Development (PSD)</b> Access 1, 2 and 3 units designed to develop personal and social skills</p>	<p><b>Certificate of Personal Effectiveness (CoPE)</b> Access Level 1, 2 and 3 CoPE guarantees capability of six critical skills including: working with others, learning and performance, problem solving, research, communication and oral presentation.</p>	<p><b>Award of Personal Effectiveness (AoPE)</b> Access Level 1, 2 and 3 Assisting students to develop and demonstrate skills. Units include: working with others, team working, planning and reviewing, dealing with problems in daily life, planning and research and self development.</p>	



SERVICE: Provision available under Opportunities for All for 16-19 year olds						
Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
16 – 19 years	Lifeskills (National Training Programme (NTP)) Helensburgh & Lomond		<b>Lifeskills:</b> Part-time training course to develop soft skills to enable progression towards more structured skills-based learning. Often a pre-cursor to participation on GRfW			
16 – 19 years	Skills Development Scotland	<b>Identification</b> of young people who are likely to struggle to find, stay and progress in learning and work. Referral to internal and external colleagues and partners who can provide the appropriate support and barrier removal.  Referral to <b>Activity Agreements</b> and assessment of <b>AA's Individualised Person-Centred Learning Plans</b>	Offer targeted support to those who need it most to ensure that young people move into an appropriate opportunity. Achieved by: Implementation of new approach delivered by <b>Work Coaches</b> Development and delivery of ' <b>Certificate of Work Readiness</b> ' (CWR) in partnership with SQA and employers. Continued support to <b>Activity Agreements and Individualised Person-Centred Learning Plans</b> by assessment and referral	Encourage young people who are job ready to assess and develop their employability skills through <b>My World of Work</b> (note that employability skills are a subset of Career Management Skills, concerned specifically with preparation for seeking and sustaining work, or learning)	Funding of <b>National Training Programmes</b> by providers contracted to SDS: Get Ready for Work Training for Work Modern Apprenticeships  Funding to contracted providers to deliver the <b>Targeted Pathways Programme</b> .	<b>Employment Recruitment Incentive</b> <b>Flexible Training Opportunities</b> <b>Low Carbon Skills Fund</b>
16 – 19 years	Opportunities for All Activity Agreements	Referral to <b>Activity Agreements</b> Engagement of young people in the <b>AA</b> process	<b>Individualised Person-Centred Learning Plan</b> for as long as is needed (first step provision) Trusted Professionals help and supports young people to tackle their issues and barriers.			
16 – 19 years	Argyll Voluntary Action	Additional advice and support by referral from partners. Developmental Programmes	<b>STEPS</b> Personal Development course Confidence Building Motivational and goal setting programmes	<b>ASDAN and SALTIRE</b> Accredited achievement of awards of completion of courses Personal confidence programme delivered by qualified facilitator	Third Sector Partner engagement with Community Jobs Scotland	In work support including - <b>Assertiveness training</b> - <b>Social Enterprise</b> - <b>Train the Trainer</b>

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SERVICE: Provision available under Opportunities for All for 16-19 year olds						
Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
16 – 19 years	<b>WorkingRite Targeted Pathways to Modern Apprenticeships</b>		<b>Vocational skills training opportunities</b> for young people that will lead to employment or a Modern Apprenticeship. Provision targeted towards key sectors including Hospitality, Tourism, Engineering, Financial Services, Energy and Renewable, Administration and Retail. Key components of delivery must include: Employability Training, Basic Occupational Skills. Leading to a VQ or certification and Employer Experience. Priority given to young people with <b>General</b> level qualifications and above and capable of undertaking a MA framework			
16 – 19 years	<b>National Training Providers (NTP's)</b>			<b>Modern Apprenticeships</b> (MAs) offer young people the chance of paid employment combined with the opportunity to train for jobs at different levels. Aimed at those capable of achieving a SVQ <b>Level 3</b> or above.		
16 – 19 years	<b>Community Jobs Scotland</b>				All <b>jobs</b> contribute to sustainable employment and provide community benefit/opportunity for the sector to expand its range of service delivery.	
16 – 18 years	<b>Get Ready for Work (GRFW) Argyll Training Ltd/ Working Rite</b>		<b>Get Ready for Work</b> can help individuals improve their personal, vocational and core skills and boost their overall employability.			



SERVICE: Provision available under Opportunities for All for 16-19 year olds						
Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
16 – 19 years	Clydebank College			<b>New College Learning Programme</b> A full-time 12 week programme delivered through a combination of college learning and work placement. E.g. Creative industries, Customer Service, Admin, Childcare and Engineering.		
16 – 19 years	Argyll, Clydebank and James Watt Colleges			<b>FE Colleges</b> Offer a very wide range of vocational education and training - in college, in the workplace and in some cases by combining both college and workplace training. The range is extensive and can be seen on their respective websites.	FE Colleges	
			Always includes a placement with an employer.			

SERVICE: Provision available under Opportunities for All for 16-19 year olds						
Age Range	Organisation	Stage 1 Referral/Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
16 – 19 years	JobCentre Plus	<p><b>Youth Employment</b> Additional adviser support for 16/17 year olds claiming JSA to help them get back into education, training or work.</p> <p>Adviser support for 16/17 year olds on JSA aligning with the adviser support available under the JCP offer to 18+ claimants.</p> <p>16-17 year old claiming JSA will now have access to additional JCP adviser support and better quality regular interventions focused on entering training or work with training and access to DWP contracted provision.</p>	<p><b>Work Club</b> Provide unemployed people with a place to meet, exchange skills and share experiences.</p> <p><b>Work Experience</b> Support available to help unemployed young people, develop skills needed to secure a sustainable job, by offering them a period of work experience for 2-8 weeks. Option to extend to 12 weeks if host decides to offer an apprenticeship.</p> <p><b>Flexible Support Fund</b> Discretionary fund to remove barriers to taking up employment, e.g. fare to work, clothing, tools.</p> <p><b>Access to Work</b> Removal of barriers for disabled people to take up and retain employment, by providing transport, adaptation to the workplace and work coach.</p>	<p><b>Work Club</b> <b>Work Experience</b></p>	<p><b>Work Club</b></p>	

SERVICE: Provision available under Opportunities for All for 16-19 year olds						
Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
16 – 19 years	Community Learning and Development - Youth Services	<p><b>Identification</b> and referral of young people not in employment, education or training.</p> <p><b>Development of Action Plans.</b></p>	<p><b>Activity Agreements</b></p> <p><b>Youth Literacy and Numeracy</b></p> <p><b>Confidence building</b></p> <p>Basic life and coping skills</p> <p>Alcohol Brief Interventions are short, structured discussions about an individual's alcohol use aimed at raising their awareness and supporting them to change behaviours</p> <p><b>Young Scot Extra</b> – info on Education/Health/Housing/ Money/Law etc.</p>	<p><b>Accredited Learning Opportunities including:-</b></p> <ul style="list-style-type: none"> <li>§ YAA</li> <li>§ DoFE</li> </ul> <p><b>Employment programmes</b> in partnership with local Opportunities for All groups.</p> <p><b>Driving Academy</b> in partnership with local Opportunities for All groups.</p>		
16 – 19 years	Community Learning and Development - Adult Learning		<p><b>Voluntary Job Information Clubs / Learner Drop-In provision</b>, help with access to internet job searches and local job-related information, with voluntary referrals for help with CVs, interview skills and 1:1 guidance.</p> <p>Range of <b>needs-led community-based courses</b> (accredited or non-accredited) available (depending on numbers) - typically including confidence building, employability courses, basic and intermediate IT/ICT, financial inclusion, life skills courses for people with additional needs, Learning Bytes.</p> <p><b>Adult Literacy and Numeracy 1:1</b> or group (Drop-In) provision.</p>	<p>Support, in partnership with CLD Youth Work, to <b>'Driving Academy'</b> provision. Includes prep for theory test, sitting test, First Aid Basic car maintenance Safety behind a wheel and Driving Safely (1:1 Adult Literacy and Numeracy support available if required)</p> <p>Community-based commercial employment-specific training, in partnership with Argyll College: eg. Personal Bar Licence; Food Hygiene; First Aid, etc</p> <p>1:1 support to apply for Construction Skills CSCS cards.</p> <p>1:1 support to prepare for police and other vocational entrance test/exam requirements.</p>		<p><b>Workplace English</b> for Speakers of Other Languages (ESOL) classes offered (currently dependant on external SG funding)</p> <p><b>Workplace literacy</b> provision available on request</p>

**SERVICE: Provision, support and enhancement of skills for learning and employment**

Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
18 and over	<b>Job Centre Plus</b>	<p><b>JCP Personal Advisor (PA)</b> provide individual support to customers, via caseloads, face to face meetings and telephone interviews for rural customers, from new claims stage to positive destination. PA's work with all JSA, IB and ESA Work Related activity Group (WRAG) customers</p> <p>Under <b>Freedom and Flexibilities</b> PA's have the discretion to spend more time supporting their customer in their journey back to work pre the Work Programme.</p> <p><b>Youth Contract Offer</b> Provides 18- 24 year old customer with additional support and weekly meetings with their PA.</p>	<p><b>Work Experience</b> Support to help unemployed develop skills needed to secure a sustainable job, by offering them a period of work experience for 2-8 weeks. Option to extend to 12 weeks if host decides to offer an apprenticeship.</p> <p><b>Support Contract</b> Delivered by ABC, module based support.</p> <p><b>Work Choice</b> A voluntary programme that supports disabled people facing complex barrier to getting and keeping a job.</p> <p><b>Work Together</b> An initiative to help unemployed people interested in volunteering to find suitable opportunities. This will be achieved by encouraging and signposting individuals to volunteering opportunities.</p> <p><b>Flexible Support Fund</b> Discretionary fund to remove barriers to taking up employment, e.g. fare to work, clothing, tools</p> <p><b>Access to Work</b> Removal of barriers for disabled people take up and sustain job opportunities, by accessing transport to work, aids and adaptations to the workplace and work coach</p>	<p><b>Work Experience Support Contract Work Choice</b></p> <p><b>Sector based Work Academies</b> Pre-employment training (short, sharp training intervention), work placements and guaranteed interview for unemployed people. Flexible and responsive support to meet the skills needs of those seeking work and the requirements of employers</p> <p><b>New Enterprise Allowance (NEA)</b> Help eligible customers start their own business or enter self-employment by matching with a volunteer mentor who will help produce a business plan. The business plan will be subject to an approval process. Once approved, the customer will be eligible to apply for NEA financial support measures for the early stages of trading:</p> <p><b>Flexible Support grant Funding Provision</b> New Sports Motivational Programme (2 courses) to run in Dunoon from October 2012</p> <p>'Health Works' provision aimed at supporting JCP customers with health issues with regard to their journey back to work.</p>	<p><b>Work Choice Sector based Work Academies New Enterprise Allowance (NEA)</b></p> <p><b>Work Trial</b> Young person gets to experience a REAL job and the employer gets to trial the person before offering them the vacancy. Client remains on benefit during the trial period.</p>	<b>Work Choice</b>

SERVICE: Provision, support and enhancement of skills for learning and employment						
Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
18 and over	Job Centre Plus (continued)		<p><b>Flexible Support grant Funding Provision</b> New Sports Motivational Programme (2 courses) to run in Dunoon from October 2012</p> <p>'Health Works' provision aimed at supporting JCP customers with health issues with regard to their journey back to work. Still be procured will be advertised on DWP website seeking invitations to tender</p>			
18 and over	<p><b>Training for Work (TFW).</b> <b>Argyll Training Ltd plus Lennox Partnership, DHP and TELL for the Helensburgh and Lomond area</b></p>			<p><b>TFW</b> Voluntary programme aims to get people, mainly the long term unemployed, into jobs through training and/or work experience. In general, the Jobcentre should refer those who have the ability and motivation to take on and/or retain employment <b>but</b> who need additional skills (i.e., a training need) and/or work experience to get a specific job or a specific type of job. Provision should be tailored to individual needs but clear information about local opportunities must be available to the Jobcentre and input to LMS. Programme can last up to 6 moths</p>		

<b>SERVICE: Provision, support and enhancement of skills for learning and employment</b>						
<b>Age Range</b>	<b>Organisation</b>	<b>Stage 1 Referral/Engagement</b>	<b>Stage 2 Barrier Removal</b>	<b>Stage 3 Vocational Activity</b>	<b>Stage 4 Employer Engagement and Matching</b>	<b>Stage 5 In-work Support</b>
18 and over	<b>Skill Development Scotland</b>	Identification of customers who need to develop <b>Career Management Skills</b> , and referral to partner organisation as appropriate.	Support the implementation of the <b>Adult Literacies</b> in Scotland 2020 strategy.	Through SDS's partnership with Jobcentre Plus and other Argyll employability partners (BASES Better Alignment of Scottish Employability Services); make adults aware of the employability benefits of <b>My World of Work</b> .	Funding of <b>National Training Programmes</b> by providers contracted to SDS: Training for Work, Modern Apprenticeships	<b>Employment Recruitment Incentive Flexible Training Opportunities Low Carbon Skills Fund</b>
18 and over	<b>HIE</b>			<b>GRADUATE PLACEMENT PROGRAMME</b> Graduates undertake a programme that contributes to business growth or diversity.		
16 – 19 years	<b>Argyll, Clydebank and James Watt Colleges</b>			<b>FE Colleges</b> Offer a very wide range of vocational education and training - in college, in the workplace and in some cases by combining both college and workplace training. The range is extensive and can be seen on their respective websites.	<b>FE Colleges</b>	

**SERVICE: Support for long term unemployed/employed**

Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
18 and over	<p><b>Argyll and Bute Council Employability Team super subcontractor for Working Links.</b></p> <p><b>Ingeus</b></p>	<p><b>Work Programme</b> - referrals through Job Centre Plus/DWP, all customers on JSA, ESA and Volunteers.</p> <p>Individual assessments carried out, inductions delivered to each customer and an Into Work Plan is created based upon customer experience and ability.</p> <p>Meaningful contact on a twice monthly basis established with each customer, Job Search Portal access provided through the CRM system, Into Work Plan, C.V. both updated on a regular basis, substantial engagement for two year period established.</p> <p>Each customer has their own dedicated/named Customer Support Advisor allocated to them.</p> <p>Delivery of the <b>Mandatory Work Activity</b> Programme. Each customer in this group sourced a work placement for four weeks as a mandatory requirement of the programme. Each customer supported through this process.</p> <p>All customers encouraged to use the customer feedback</p>	<p><b>Work Programme:</b> Operating to the customer Into Work Plan and assessment, support offered to remove barriers/issues relating to employment opportunities.</p> <p>Regular meaningful contact allows opportunity for ongoing assessment and referral onto other more specialist providers should accentuated barriers require this.</p> <p>Continual support provided by Customer Support Advisor.</p> <p>Special facilities sourced and provided for those experiencing mental health or physical barriers to employment.</p>	<p><b>Work Programme.</b> Opportunities to develop individual work experience through a number of routes. External work placements, work experience within Employability Workshops, Access to "in house" training supporting deficiencies in literacy and numeracy and real time work experience on a range of external contracts enabling the achievement of a reference and an in work role.</p> <p><b>Mandatory Work Activity.</b> Matching of the individual to the work placement and opportunity for progression</p>	<p><b>Employer Database</b> held by each Area Team Leader in each of their respective areas, regular meetings held with potential employers. Database updated on a quarterly basis, providing information on employment trends, by sector and number.</p> <p>Establishment of the new Employment Agency working to match and advertise opportunities for the customer and the employer.</p> <p>Marketing provided to ensure continual knowledge of programmes and opportunities.</p>	<p>All customers offered an In Work Support and Progression Plan (IWSPP)</p> <p>Through the first 9 weeks of employment, Customer Support Advisor makes regular contact on a weekly basis to ensure both customer and employer are happy with their situation.</p> <p>Weeks 9-26 each customer is offered fortnightly contact and then monthly contact through to the end of their sustainment period which either 13 or 26 months.</p> <p>These contact periods offer the customer the opportunity to have their C.V. continually updated along with other progression needs in order to allow for future opportunities should they arise.</p>

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<b>SERVICE: Support for long term unemployed/employed</b>						
<b>Age Range</b>	<b>Organisation</b>	<b>Stage 1 Referral/ Engagement</b>	<b>Stage 2 Barrier Removal</b>	<b>Stage 3 Vocational Activity</b>	<b>Stage 4 Employer Engagement and Matching</b>	<b>Stage 5 In-work Support</b>
20 +	<b>SDS</b>	Identification of customers who need to develop <b>Career Management Skills</b> , and referral to partner organisation as appropriate.	Support the implementation of the <b>Adult Literacies</b> in Scotland 2020 strategy.	Through SDS's partnership with Jobcentre Plus and other Argyll employability partners (BASES Better Alignment of Scottish Employability Services); make adults aware of the employability benefits of <b>My World of Work</b> .	<b>Training for Work</b>	<b>Flexible Training Opportunities</b> <b>Low Carbon Skills Fund</b>
16 – 65 years	<b>Community Learning and Development - Adult Learning</b>		<p><b>Voluntary Job Information Clubs / Learner Drop-In</b> provision, help with access to internet job searches and local job-related information, with voluntary referrals for help with CVs, interview skills and 1:1 guidance.</p> <p><b>Work with Criminal Justice</b> ex-Offenders on a variety of learning needs (referrals-based).</p> <p>Pilot in Cowal of 6wk intensive (voluntary) IT for Beginners course, tailored to JC+ clients.</p> <p>Range of <b>voluntary needs-led community-based courses</b> (accredited or non-accredited) available (depending on numbers)</p> <p><b>Adult Literacy and Numeracy</b> 1:1 or group (Drop-In) provision.</p>	<p><b>Community-based commercial employment-specific training</b>, in partnership with Argyll College: eg. Personal Bar Licence; Food Hygiene; First Aid, etc</p> <p>1:1 support to apply for Construction Skills CSCS cards.</p> <p>1:1 support to prepare for police and other vocational entrance test/exam requirements.</p>		<p><b>Workplace English</b> for Speakers of Other Languages (ESOL) classes offered (currently dependant on external SG funding)</p> <p><b>Workplace literacy</b> provision available on request</p>



			English for Speakers of Other Languages (ESOL) classes offered.			
<b>SERVICE: Support for long term unemployed/employed</b>						
Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
18 and over	Business Gateway					<p><b>Business advice</b>  <b>Business skills workshops for employers</b>  Information for employers provided either online, via printed guides, or interactive tools e.g.  * Tax and payroll information</p> <p>Signposting of <b>funding opportunities for employers</b>  * Access to a database of grant funding  * Common referrals include to SDS, JobCentre Plus</p> <p><b>Signposting of other support for employers</b>  * Referral to sector specific support organisations. For example Scotland Food and Drink, Scottish Manufacturing Advisory Service</p>
18 and over	NHS Highland					<p><b>Treatment services:</b>  E.g. Musculoskeletal problems, mental health and addiction problems</p> <p><b>Healthy Working Lives</b>  National programme to promote and improve occupational health and safety within a workplace setting.</p>
18 and over	Princes Trust – Youth Business Scotland					<p><b>Pre-start Market Test Grants</b> (£250) to help people test the viability of their business idea, low-</p>

interest loans (3%) of up to £5000; additional start-up grant of up to £500 (for long-term u/e or disadvantaged).

**SERVICE: Support for long term unemployed/employed**

Age Range	Organisation	Stage 1 Referral/ Engagement	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employer Engagement and Matching	Stage 5 In-work Support
18 – 20 years	<b>Argyll Voluntary Action</b>	Additional advice and support by referral from partners. Developmental Programmes	<b>STEPS</b> Personal Development course Confidence Building Motivational and goal setting programmes	<b>ASDAN and SALTIRE</b> Accredited achievement of awards of completion of courses. ASDAN courses include Certificate of Personal Effectiveness (CoPE), Personal and Social Development (PSD) and many other short courses. Personal confidence programme delivered by qualified facilitator	Third Sector Partner engagement with Community Jobs Scotland	<b>Business Support</b> includes: <ul style="list-style-type: none"> <li>- Policies and procedures for employers;</li> <li>- CRBS/PVG;</li> <li>- First time employers</li> <li>- Independent examination of accounts</li> <li>- Payroll services</li> <li>- Directors duties</li> <li>- Data Protection</li> <li>- Range of business related workshops and courses.</li> </ul>

## Argyll and Bute Youth Employment Action Plan

1. Support and Activity				
Action	Cost and Approval Status	Key Milestones/Outcomes	Lead Responsibility	Progress (comment)
<p>The partners are mapping and aligning their collective resources in order to provide a seamless and readily accessible service for individuals and businesses.</p> <p>National Indicator 10: increase the number of school leavers in positive and sustained destinations - FE/HE/employment or training approximately 9 months after leaving school.</p>	To be confirmed at Council meeting on 22/11/12	<p>Skills Pipeline completed for each key partner organisation.</p> <p>Education/O4A: Risk Matrix for Early Identification Education/O4A/SDS: SLDR SDS: Targeted support through career coaching</p>	Argyll and Bute Employability Partnership* Education/O4A/SDS:	
2. The Employer Offer				
Action	Cost and Approval Status	Key Milestones/Outcomes	Lead Responsibility	Progress (comment)
Businesses and organisations need to know what support is available and how to access and secure it. In practice, as there is no one 'right door' to assistance, the Employability Partnership requires to be organised to promote a co-ordinated 'offer' to business. Business Gateway is a key partner within the Employability Partnership and is well placed to play a key role in this work.	To be confirmed at Council meeting on 22/11/12		Argyll and Bute Employability Partnership*	
3. Future Job Opportunities				
Action	Cost and Approval Status	Key Milestones/Outcomes	Lead Responsibility	Progress (comment)
It remains a challenge to correctly identify the sector skills needs of employers and successfully align this with the career choices of Argyll and Bute's young people. This requires industry to clearly articulate what they need from the future workforce (sector skills strategies) and for our young people to be inspired and knowledgeable about the career options open to them. This will be a key issue to be addressed at the Rural Action Forum on Youth Employment on 5 <sup>th</sup> November 2012.	To be confirmed at Council meeting on 22/11/12		Argyll and Bute Employability Partnership	

<b>4. Identifying barriers and gaps preventing young people moving forward (including Strategic Skills Pipeline)</b>				
<b>Action</b>	<b>Cost and Approval Status</b>	<b>Key Milestones/Outcomes</b>	<b>Lead Responsibility</b>	<b>Progress (comment)</b>
Targeted support to young unemployed people, aged 16-19	To be confirmed at Council meeting on 22/11/12	Sustained progression resulting in economically active individuals e.g. progression through A/A to GRFW to employment  Training placement availability across the area  Increased opportunities for those in own tenancy and/or LAAC young people to progress into education, employment and training.	Argyll and Bute Employability Partnership	
<b>5. Finalise Argyll and Bute Youth Employment Action Plan (including Strategic Skills Pipeline)</b>				
<b>Action</b>	<b>Cost and Approval Status</b>	<b>Key Milestones/Outcomes</b>	<b>Lead Responsibility</b>	<b>Progress (comment)</b>
Draft paper approved by Argyll and Bute Employability Strategy Group at meeting on 3 <sup>rd</sup> October 2012. Paper then sent to Jean Millar by 9 <sup>th</sup> October for approval at DMT/SMT that is due to take place on 15 <sup>th</sup> October 2012. Presented to the Council on 25 <sup>th</sup> October 2012.  Feed in comments collated further to the Rural Action Forum on Youth Employment on 5 <sup>th</sup> November 2012 into the Argyll and Bute Youth Employment Action Plan (which includes the Strategic Skills Pipeline).  Ongoing review of Argyll and Bute Employability Partnership.	To be confirmed at Council meeting on 22/11/12	Draft Youth Employment Action Plan written by 31 <sup>st</sup> October 2012.  Approval of Youth Employment Action Plan (including Strategic Skills Pipeline) by 31 <sup>st</sup> December 2012	Argyll and Bute Employability Partnership	
<b>6. Monitoring of Argyll and Bute Youth Employment Action Plan (including Strategic Skills Pipeline)</b>				
<b>Action</b>	<b>Cost and Approval Status</b>	<b>Key Milestones/Outcomes</b>	<b>Lead Responsibility</b>	<b>Progress (comment)</b>
Partnership review of the Youth Employment Action Plan (including Strategic Skills Pipeline)	To be confirmed at Council meeting on 22/11/12	Quarterly reviews, starting in March 2013.  SLDR information produced by SDS in December 2012 and June 2013	Argyll and Bute Employability Partnership  SDS	

## SKILLS PIPELINE ORGANISATIONS AND KEY CONTACTS

ORGANISATION	ORGANISATION DESCRIPTION	KEY CONTACT	Telephone	E-Mail
<b>Argyll and Bute Council Community Services: Education</b>	Provider of early years, primary and secondary education (from 3 – 18 years) across Argyll and Bute.	Carol Evans	01631 568984	Carol.evans@argyll-bute.gov.uk
<b>Argyll and Bute Council Community Services: Opportunities for All (O4A)</b>	O4A is an explicit commitment to an offer of a place in learning or training to every 16 -19 year who is not currently in employment, education or training. O4A builds upon the planning and processes of 16+ Learning Choices.	Aileen Goodall	01369 708544	16+learningchoices@argyll-bute.gov.uk
<b>Argyll and Bute Council Community Services: Education Psychologists</b>	Provide a wide range of advice and consultation to parents, school staff and partner agencies including colleagues in Social Work and Health, with regards to pupils with Additional Support Needs.	Roslyn Redpath	01369 708537	Roslyn.redpath@argyll-bute.gov.uk
<b>Argyll and Bute Council Community Services: Youth Services</b>	Argyll and Bute Council's Youth Service Team works directly with young people aged 11 to 25 with a particular emphasis on 14 to 18 year olds. The team operates in learning communities across the authority using a youth work approach and methodology to engage with young people.	Martin Turnbull	01369 708542	Martin.turnbull@argyll-bute.gov.uk
<b>Argyll and Bute Council Community Services: Adult Learning</b>	Working with age group 16-65, offering easily accessible "first-steps" opportunities for learning. Our group work, courses and one to one support services are available in community venues. We can help to improve employability skills, including ICT, confidence and wellbeing, life skills, literacy and numeracy, and much beside. All our programmes and interventions on learners' expressed wishes and needs, thereby achieving greater effectiveness. The service has an inclusive approach but actively targets those most at risk of exclusion, such as people who are unemployed, on a low income, experiencing health, mental health and addiction issues, or who have barriers to accessing learning	Jeannie Hollis	01546 604753	Jeannie.hollis@argyll-bute.gov.uk
<b>Argyll and Bute Council Employability Team</b>	Provides a range of contract related services such as Work Programme, Mandatory Work Activity, Job Centre Plus Support Contract, plus a range of other employment related support to a range of customer groups.	Ray McIntosh-Walley	01586 551389	ray.mcintosh-walley@argyll-bute.gov.uk
<b>A4e</b>		Elizabeth Hendry	07545 422 632	
<b>ABSEN</b>		Bill Stewart	07932 622 952	william.stewart@absen.org.uk

<b>Argyll College</b>	Access information via college website <a href="http://www.argyllcollege.ac.uk">www.argyllcollege.ac.uk</a>	Fraser Durie	01631 559755	fraser.durie@argyllcollege.ac.uk
<b>Argyll Training Limited</b>	Provides a range of employability and industry recognised courses and qualifications on a contractual basis on behalf of Skills Development Scotland and DWP, these include: Get Ready for Work, Training for Work, Modern Apprenticeships, Jobcentre Plus Support Programme, Vocational Routeways (DWP Work Programme). Also an approved ILA Scotland provider	Fraser McCowan	01369 704586	fmcowan@argylltrainingltd.co.uk
<b>Argyll Voluntary Action</b>	AVA is the support organisation for the Third Sector in Argyll and Bute and as such offers support in information, training and supports and enables volunteers to access volunteering opportunities within the work environment. AVA works closely with Volunteer Involving Organisations and we also support the Saltire Awards through which younger people are rewarded for their contribution to volunteering and to their communities. AVA delivers a range of additional services including volunteer time bank activities, the personal development course "Steps to Excellence" as well as working closely with partners in Health in the redesigning of mental health services and supporting the delivery of the Reshaping Care for Older People across Argyll and Bute. Our Project "Involving to Devolving – Influencing Change" combines representational work with empowerment for individuals and communities. The "Survive to Thrive" Project aims to support survivors of domestic abuse to have an increased sense of self-worth and emotional wellbeing. AVA supports new and existing organisations and enterprises with a range of skills based training, from start-up, employment and management issues.	Glenn Heritage/ Senga Cakebread	01631 564839	glenn@argyllvoluntaryaction.org.uk senga@argyllvoluntaryaction.org.uk
<b>Argyll and Bute Council: Business Gateway</b>	Business Gateway provides support to employers in the form of practical advice for both new and existing businesses. The support is free and open to all businesses and the self-employed across Argyll and Bute	Kate Fraser	01546 605453	Kate.fraser@argyll-bute.gov.uk
<b>Clydebank College</b>	Further and Higher Education institute.	Gill Watt	0141 951 7409	Gill.watt@clydebankcollege.ac.uk

<b>DHP</b>	Provides Training for Work Self Employment option on behalf of Skills Development Scotland and The Enterprise strand of the Ingeus Work Programme Provision.	Jacqui Black Angela McEwan	0141 221 9798 0141 221 9798	<a href="mailto:jacqui@dhpScotland.co.uk">jacqui@dhpScotland.co.uk</a> <a href="mailto:angela@dhpScotland.co.uk">angela@dhpScotland.co.uk</a>
<b>HIE</b>	Highlands and Islands Enterprise is a regional economic development agency which aims to deliver the Government Economic Strategy by working with businesses and social enterprises to help them achieve their ambitions for growth enabling them to increase local employment opportunities. This includes a graduate placement programme where a graduate undertakes a project that enables business growth or diversity. New jobs are also brought to the area by attracting and encouraging new inward investments and encouraging businesses to enter international markets particularly in Growth Sectors such as tourism, renewable energy and life sciences including marine science.	David Smart	01546 605425	<a href="mailto:david.smart@hient.co.uk">david.smart@hient.co.uk</a>
<b>Ingeus</b>	Provision of Work Programme similar to that of Employability Team.	Kris Wesencraft Britanny Jack	07880193 233 07837 046 020	
<b>Job Centre Plus</b>	JCP offers a range of support service to the individual and organisations delivering a number of DWP related programmes. These range from opportunities through work experience promotion to companies in support of those about to leave education and those who have been unemployed for some time. They offer Sector-Based Work Academies in Scotland, assisting those ready for work and receiving benefit to move into secure employment. Further, they offer a range of Work Trials for the individual at no cost to the prospective employer. Importantly, JCP offers the Flexible Support fund in Scotland which is available to trainers and employers and is seen as a significant support mechanism in the quest for full time sustainable employment.	Yvonne O'Hara	0141 800 2026	<a href="mailto:Yvonne.o'hara@jobcentreplus.gsi.gov.uk">Yvonne.o'hara@jobcentreplus.gsi.gov.uk</a>
<b>Lennox Partnership</b>	Provides a range of employability and industry recognised courses and qualifications on a contractual basis on behalf of Skills Development Scotland under the Training for Work Programme	Anne Rhattigan	0141 951 1131	<a href="mailto:Anne.rhattigan@thelennoxpartnership.org">Anne.rhattigan@thelennoxpartnership.org</a>

<b>NHS Highland</b>	<p>The NHS does not have specific services in relation to employability, however there are a number of services relevant to this area:</p> <p>Primary Care – GPs use Fit Notes when patients are to be signed off work. This will identify if the patient is fit to undertake any duties or must be absent from work.</p>	Alison McGrory	01586 552224	Alison.mcgrory@nhs.net
<b>Princes Trust – Youth Business Scotland</b>	<p>Established in 1989 as The Prince’s Scottish Youth Business Trust (PSYBT) and merged with The Prince’s Trust on 1<sup>st</sup> April 2012 to become Youth Business Scotland, part of The Prince’s Trust. We have 18 Regional Managers covering the whole of Scotland who deliver the same service across the board. We support people aged 18-25* start up and continue in business.</p> <p>*We can sometimes support applicants up to 30 where the person has a disability, is a resident on one of the islands or is part of a partnership where the majority of partners are under 25.</p>	Sharita Guy	07917 305 553	Sharita.guy@princes-trust.org.uk
<b>Skills Development Scotland (SDS)</b>	<p>SDS helps the skills and learning system to better respond to the needs of the economy, and to help individuals and businesses access the right learning and skills development opportunities.</p>	Roddy Bailey	07765 896 350	rodny.bailey@sds.co.uk



## ACCRONYM REFERENCE GUIDE

QUALIFICATIONS AND COURSES		PARTNER AGENCIES	
AoPE	Award of Personal Effectiveness	ABC	Argyll and Bute Council
ASDAN	Award Scheme Development and Accreditation Network	ABSEN	Argyll and Bute Social Enterprise Network
CoPE	Certificate of Personal Effectiveness	AC	Argyll College
DofE	Duke of Edinburgh	ATL	Argyll Training Limited
ESOL	English for Speakers of other Languages	AVA	Argyll Voluntary Action
FE	Further Education	CLD	Community Learning and Development
GRFW	Get Ready For Work	DWP	Department of Work and Pensions
HE	Higher Education	HIE	Highlands and Islands Enterprise
HNC	Higher National Certificate	JC+	Job Centre Plus
HND	Higher National Diploma	NHS	National Health Service
MA	Modern Apprenticeship	O4A	Opportunities for All
PSD	Personal and Social Development	SDS	Skills Development Scotland
PTXL	Prince's Trust XL	16+LC	16+ Learning Choices
SQA	Scottish Qualifications Authority	UHI	University of the Highlands and Islands
SVQ	Scottish Vocational Qualification		
TFW	Training for Work		
YAA	Youth Achievement Awards		

MISCELLANEOUS	
BASES	Better Alignment of Scottish Employability Services
CfE	Curriculum for Excellence
CMS	Career Management Skills
CRBS	Central registered Body in Scotland
ESA	Employment and Support Allowance
JSA	Job Seekers Allowance
LAAC	Looked After and Accommodated Children
MWOW	My World of Work
NEA	New Enterprise Allowance
NOMIS	National Official Labour Market Statistics
PVG	Protecting Vulnerable Groups
SLDR	School Leaver Destination Return



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**ARGYLL AND BUTE COUNCIL****COUNCIL****COMMUNITY SERVICES****22 NOVEMBER 2012**

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**ARGYLL AND BUTE'S PROMISE: GIVE ME A CHANCE**

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**1.0 SUMMARY**

- 1.1 This report advises of the recent signing of the 'Give Me a Chance – Be Fair to a Child in Care' campaign and provides information in relation to the campaign.

**2.0 RECOMMENDATIONS**

- 2.1 The Council are asked to endorse the signing of the 'Give Me a Chance – Be Fair to a Child in Care' campaign.

**3.0 DETAIL**

- 3.1 On Tuesday 30<sup>th</sup> October the Council Leader - Cllr Roddy McCuish and the Chief Executive - Sally Loudon, made a promise to help end stigma for children and young people in care by signing up to the 'Give Me A Chance – Be Fair to a Child in Care' campaign.
- 3.2 The campaign, driven by Who Cares? Scotland (WCS) aims to end the stigma faced by children and young people in care. WCS is a voluntary organisation that works with and for children and young people in care.
- 3.3 In 2008, WCS produced a publication which captured what success means to children and young people in care and what their aspirations are for the future. Consultation with children and young people within care across Scotland found that stigma and other people's low expectations of them had an adverse impact.
- 3.4 In tackling this, WCS joined up with young people and a range of partners including Scottish Government, Barnardo's and the Scottish Children's Reporters Administration to develop the campaign.

- 3.5 In signing the campaign, Argyll and Bute Council promises to:
- Combat the myths associated with children and young people in care.
  - Promote a positive message of the achievements of children in care.
  - Help to educate communities and workforces on the reasons for children being accommodated.
  - Listen to children and young people and work in partnership with them to increase opportunities for them to thrive.
  - Advocate for looked after and accommodated children and young people as children first.
  - Find creative ways to support children and young people, including young people leaving our care.
  - Support children and young people in fulfilling their potential.
  - Continue to provide high quality services.
  - Support the campaign through practical and material activities.
- 3.6 These promises can be taken forward through every department in the Council working together to create opportunities for Looked After Children. The current Looked After Children Plan details how the Council and partner agencies will work together to improve outcomes for Looked After Children.

#### **4.0 CONCLUSION**

- 4.1 The Council are asked to acknowledge the stigma faced by children and young people in care and endorse the signing of the 'Give Me a Chance – Be Fair to a Child in Care' campaign to reduce stigma and promote positive outcomes for children and young people in care.

#### **5.0 IMPLICATIONS**

- 5.1 Policy: The campaign aligns directly to the Council's corporate outcome 1 (Working together to improve the potential of our people).
- 5.2 Financial: None.
- 5.3 Legal: The campaign supports the Council to meet its statutory duties in relation to Looked After Children.
- 5.4 HR: None
- 5.5 Equalities: The campaign supports the Council to ensure that Looked After Children and those leaving our care have an equality of opportunity and life chances.

- 5.6 Risk: Failure to support Looked After Children and those leaving our care presents direct risks to the future life chances for this group of children and young people.
- 5.7 Customer Service: The campaign supports the Council in identifying and meeting its responsibilities as a corporate parent.

**Cleland Sneddon**  
**Executive Director of Community Services**  
31 October 2012

**For further information contact:** Helen Thornton, Executive Support Officer,  
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**ARGYLL AND BUTE COUNCIL****COUNCIL****COMMUNITY SERVICES****22 NOVEMBER 2012**

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**CHIEF SOCIAL WORK OFFICER – ANNUAL REPORT 2011/12**

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**1.0 SUMMARY**

- 1.1 This report introduces the annual Chief Social Work Officer (CSWO) report for 2011/12.

**2.0 RECOMMENDATIONS**

- 2.1 The Council are asked to note the content of the CSWO report for 2011/12.

**3.0 DETAIL**

- 3.1 The CSWO annual report reflects on the key developments within the Social Work service over the last year. The report is designed to give an overview of social work activity undertaken by the authority including the statutory, governance and leadership functions of the role of the CSWO.
- 3.2 Members will see from the report that 2011/12 has seen a continuation of improvement across the range of Social Work services delivered by Argyll and Bute Council. The report highlights the need for services to continue to reshape and modernise as they strive to meet the expectations of service users at a time of restricted budgets.
- 3.3 The report outlines the issues the service will face over 2012/13, including the development of joint working with the Community Health Partnership (CHP) and the implementation of Self Directed Support which will significantly increase personalisation for service users.

**4.0 CONCLUSION**

- 4.1 The Social Work service within Argyll and Bute Council has continued to develop as it focuses on the challenges of delivering services in the coming years. The CSWO annual report provides a summary of activity undertaken within 2011/12 and highlights the challenges for the period ahead.

**5.0 IMPLICATIONS**

5.1 Policy: None.

5.2 Financial: None.

5.3 Legal: None.

5.4 HR: None.

5.5 Equalities: None.

5.6 Risk: The progress of Social Work services will have a direct impact on the reputational risk of the Council.

5.7 Customer Service: None.

**Cleland Sneddon**  
**Executive Director of Community Services**  
**31/10/12**

**For further information contact:** James Robb, Chief Social Work Officer -  
Head of Adult Care





**Chief Social Work Officer**

**Annual Report**

**2011/12**

**James Robb**  
**Chief Social Work Officer**

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## Introduction

Welcome to the annual Chief Social Work Officer report (CSWO) for the year 2011/12. The report is designed to give an overview of social work activity undertaken by the authority including the statutory, governance and leadership functions of the role of the CSWO.

The report is a complementary process to the range of business and service planning being undertaken in specific service areas whose reports are published earlier in the year.

This is a time of considerable change across all council services including social work. There are significant budget challenges to be met and services will continue to have to reshape and modernise as they strive to meet the expectations of service users at a time of restricted budgets. This will inevitably involve change at all levels within the social work service and service leaders know the importance of fully involving and engaging our staff in these processes if we are to achieve the positive outcomes we require.

As part of this reshaping and modernisation both children and families and adult care services have continued to implement the decisions of the service reviews and continue to respond to the expectations around new models of care and prepare for forthcoming legislation such the Integration of Health and Social Care, Self Directed Support and the implementation of a new Children's (Scotland) Act

To assist in these processes the social work service has recognised the fundamental importance of ensuring a continued strong connection and consistency of approach between strategic developments and front line operational requirements. Communication is a key element of this and there is now a well established framework of engagement between senior managers and front line staff through team meetings, newsletters and regular visits to locality offices. This framework complements systems in place to gain the views of service users and these arrangements are extremely helpful in ensuring that the experiences of those at the front line help to inform future policy and service developments.

Since the last Care Inspectorate inspection of social work services, carried out by SWIA in 2010, the social work service have been working with the link inspector on our improvement actions which are detailed in our social work improvement plan. This plan covers the assessment and care management cycle including assessment, risk assessment and outcome focused care planning. This report is monitored by the social work management team on a regular basis and actions and improvements are noted and updated. The current social work improvement plan will be reviewed in early 2013 and will be updated in light of issues identified as a result of our on-going self-evaluation activity.

The future regime in terms of inspection is likely to include a more joined up approach to integrated services and the Care Inspectorate are currently finalising the plan for nationwide proportionate inspections of services which will commence in 2013. It is anticipated Argyll and Bute Council will expect its next inspection in terms of social work services within the next 24 months.

This annual report is structured along the lines of the main service responsibilities within sections in relation to Adult Care and Children & Families/Criminal Justice. The report however is a collaborative venture between staff in all parts of the social work service and it is seen as important that social work retains a composite professional identity if services to family members of all ages are to be delivered in a joined up manner.

**James Robb**

**Chief Social Work Officer**

**Head of Service – Adult Care**

## Children and Families / Criminal Justice

### Introduction

The management arrangements for the Children and Families/Criminal Justice service are outlined within appendix 1. This structure consists of distinct management responsibilities for key areas of the service, with third tier service managers in place for: Criminal Justice, Early Years, Children & Families Operations and Resources.

The section of the report considers the main areas of activity within each of the service areas.

### Criminal Justice

These services continue to be delivered through our partnership arrangements with East and West Dunbartonshire Councils. In addition, the service is part of the North Strathclyde Community Justice Authority along with Renfrewshire, East Renfrewshire and Inverclyde.

From 1st February 2011, Criminal Justice within Scotland saw a major overhaul of sentencing and the most significant change to delivery of services to offenders in decades. Familiar community based sentences such as Probation and Community Service (and less familiar Supervised Attendance) were replaced with one generic community supervision sentence called a Community Payback Order. The new order carries a range of “requirements” including unpaid work, supervision, and treatment for addictions with a focus to reintegrate offenders back into society through reparation and rehabilitation. Supporting this change are new assessments, a new format to Court reports and a suite of new procedures and guidance. The partnership development of paraprofessional staff, supported by SVQ opportunities, has been crucial to help deliver targeted responses to a complex client group.

The preparatory work paid off in that CJ staff in Argyll and Bute have adjusted to the change with considerable success despite having to work between the new and the old systems.

2011/12 saw the first full year of the implementation of the new Criminal Justice Social Work Report and Community Payback sentencing regime. Argyll and Bute CJ services wrote 430 Court reports, resulting in:

- 31 new probation
- 41 new community service
- 15 new supervised attendance, and
- 101 new community payback orders (including an increased use of unpaid work) – **See Appendix 2 for detail.**

As the Courts become more confident and familiar with the new system we are experiencing a greater use of reparative sentencing such as community service and unpaid work. Previous timescales of a year to complete such an order have been reduced to 3 or 6 months depending on the number of hours imposed. Increased numbers and these shorter deadlines to complete unpaid work have been a challenge. Recruitment difficulties led to a reduction in work squads for a period of time and we saw an unavoidable increase in requests for extensions of time to the Court – particularly so in Dunoon and Cowal, our last area to successfully recruit an Unpaid Work officer in

recent months. In other areas, especially in the west we have seen considerable improvements in both completion of orders and positive community feedback for works undertaken.

High risk offenders continue to be managed both within the prison via Integrated Case Management, monitoring an offender's transit through prison and return to the community; and within the community via Multi Agency Public Protection Arrangements (MAPPA). These arrangements are predicated on excellent working relationships with our colleagues within the Police, SPS, Housing, Health and other social work services. Prior to March 2012, throughcare cases (long term prisoners or those to be supervised upon release) were managed through a partnership arrangement with West Dunbartonshire Council. Since March, these cases have been managed locally from within the Argyll and Bute CJ service, which should see an improved interface with local resources and services for these offenders.

### **Children and Families – Resources**

The Children and Families Resource service has responsibility for the provision of high quality care placements for looked after children through the commissioning of placements from external providers and the use of the Council's three children's homes and its fostering and adoption service.

A key focus of this service has been to increase the range of family based care options through greater use of kinship care and fostering. Emphasis has also been given to addressing issues of delay within the care planning arrangements to ensure that children identified to be in need of a permanent placement achieve the security they need as quickly as possible.

During the past year the Independent Reviewing Unit has been strengthened to support the work of two IROs in reviewing Looked After Children's care plans. The Independent Reviewing Service aims to support social workers in drawing up child centred and outcome focused care plans whilst performing a quality assurance role for the wider service.

The service also provides essential support to young people leaving care and making the transition into independence. These responsibilities are viewed very seriously and every young person leaving care will have a "Pathways Plan" which identifies and co-ordinates how the young person needs and aspirations for the future will be best met. The work of the Through and After Care team has been acclaimed by the Scottish Through and After Care Forum as well IRISS(The Institute for Research and Innovation in Social Services).

The service also leads on the Looked After Children's Improvement Plan which this year has placed great emphasis on risk assessment, listening to and respecting children and the launch of Corporate Parenting. Following the publication of the Fatal Accident Inquiry Report in April 2012, a review has been undertaken to ensure key learning is disseminated across Argyll and Bute. A new risk assessment tool has been drawn up by practitioners from across all sectors to ensure there is a consistent and integrated approach to the assessment and management of risk. Renewed focus has been placed on listening to our looked after children and young people, an engagement event has been organised with some of our children and young people for the 23<sup>rd</sup> November 2012 to listen to their views and experience of the service. Lastly, a Corporate Parenting event called "We can and must do better" has been arranged for the 30<sup>th</sup> October 2012.

The school hostels also fall within the remit of the service which contrasts with the work undertaken in other parts of the service. It is not always appreciated that children of secondary school age who live on remote islands or in remote rural communities need accommodation close to the school during the weekdays. The hostels provide a convivial atmosphere combined with high quality care for those pupils who cannot go home at the end of the school day.

### **Children and Families – Operations**

This service is overseen by a Service Manager, four Area Children’s Managers and the Children with Disability Manager. The service has responsibility for the assessment and case management of social work through the fieldwork teams based in Islay, Campbeltown, Lochgilphead, Oban, Helensburgh, Dunoon and Rothesay. Key areas of activity for the service are: child protection, looked after children, youth justice, children affected by disability and delivery of integrated children’s services through the Getting It Right For Every Child practice model.

Child protection remains a priority for the Council and its partners and much of the activity in this area is undertaken in conjunction with Strathclyde Police and NHS Highland. The inter-agency nature of the work is directed by the Child Protection Committee (CPC) which provides strategic direction across partners to ensure we keep our children safe.

Analysis of activity shows a significant increase in the number of child protection investigations and the number of children on the register. In June 2011 the Care Inspectorate undertook a child protection inspection across all partners in Argyll and Bute. The inspection evaluations were: -

Children are listened to and respected	Good
Children are helped to keep safe	Good
Response to immediate concerns	Weak
Meeting needs and reducing long term harm	Good
Self-evaluation	Satisfactory
Improvements in performance	Satisfactory

The CPC tasked the Self Evaluation Group to take forward the recommendations of the inspection. Priority has been given to improve consistency of responses to immediate concerns. There have been some successes, for example, the improvement of health staff involvement at the initial investigation, consultation with families is helping us to develop and improve our services and there are a number of policy and practice initiatives to support the improvement journey. However, the partners in Argyll and Bute acknowledge we are on an improvement journey. We know that our staff are committed, hardworking and care deeply about vulnerable children and young people. It is for this reason we strive to do better through understanding the area we need to improve.

Getting It Right For Every Child (GIRFEC) remains the central policy for the development of integrated children’s services across Scotland. Argyll and Bute Children is pivotal to deliver on the GIRFEC vision. Only by working together will we achieve the best for our children and young people. To ensure we deliver the new vision a new structure focusing on children’s life stages has been developed. The new Integrated Children’s Services Plan will be available in 2013.

It is an exciting time for children and families – many changes and opportunities to shift practice to ensure children, young people and their families are at the centre of all we do.

## **Adult Care Services**

### **Introduction**

#### **New Management Structure: (Appendix 5)**

The establishment of the new management arrangements for Adult Care has recently been put in place ( July 2012) with a move back to a single Area Manager for Adult Care supported by specialist Team Leader posts across older people, mental health and learning disability. This retains the specialism within Adult Care at Team Leader level while empowering the single Area Manager to work across the service in terms of service development, budget and decision making.

The provision of Social Work services to adults continues to be the subject of major change and re-design issues both internally and in partnership with the NHS and other partner providers. The following section provides a summary of the major issues.

#### **Service Reviews:**

##### **Older People:**

###### **Home Care:**

The year 2011/12 has seen the conclusion of the re-design of home care services with the majority of the service, excluding the MAKI area, being externalised with three preferred providers per locality (see appendix 6). The newly commissioned services will begin on Monday 21<sup>st</sup> January 2013. Council staff have taken the opportunity to take voluntary redundancy and thereafter consider the option of applying for employment with new providers.

###### **Day Services:**

Day services were re-designed to focus primarily on the needs of clients with high dependency and dementia. This resulted in services being streamlined in both Oban and Cowal which assisted greatly in evidencing that council day services could be provided in an efficient manner. Consequently, when the service was compared to external providers in a formal tender it was concluded that there was no gain to the council in externalising the service both in terms of quality and finance.

###### **Care Homes:**

The future of the council's care homes will be considered by the Adult Care Project Board during the remainder of this financial year and into next. In terms of developing new services, the council has taken the opportunity to work in partnership with NHS Highland and West Highland Housing Association to develop the new Progressive Care Centre on Mull which will see the Dunaros Care Home replaced by modern Extra Care Housing units sited within a joint campus with NHS services. The facility is due to open during November 2012 and provides an excellent example of what inter-agency working can achieve in developing a facility that is fit for the 21<sup>st</sup> Century



## **Learning Disability**

### **Day Services:**

Day services continue to be re-designed with the focus being on the provision of flexible and outreach services that complement the traditional resource centre facilities. The resource centre service continues to be used to a lesser degree with greater emphasis on proving support to access existing community facilities. When the service was compared to external providers in the Pre Qualifying Questionnaire in advance of the formal tender it was concluded that there was no gain to the council in externalising the service both in terms of quality and finance.

The service will continue to be subject to re-design with negotiations with the unions relating to changes in conditions for staff and more efficient use of the resource centre buildings being the main issues that will be presented to the Adult Care Project Board prior to the end of the financial year 2012/13.

### **Greenwood Hostel:**

After a long planning period working with residents, families, staff and unions, the Greenwood learning disability residential hostel has been transformed. On 14<sup>th</sup> May 2012, the care home was de-registered by the Care Inspectorate. The adjustments to the model of care and facilities provide smaller shared tenancies for the 6 people who were living there. This was done by remodelling the space into flats, with the same staff now delivering care as Community Workers in a more personal and individual way to these people in their own homes. This service is now registered with the Care Inspectorate as Supported Living. The Registered Manager reports that already the service users are feeling the benefits of moving away from the old institutional model; individuals are widening their horizons and becoming more independent, staff also report a renewed energy and enthusiasm despite the substantial changes. Delivering this has been a huge learning curve for everyone involved and has been achieved by the Manager and her staff working extremely hard and dynamically.

## **Mental Health**

The Adult Care Project Board have agreed that mental health services are to be subject to the same Pre Qualifying Questionnaire/Tender process that Older People and Learning Disability services have gone through. This will proceed during the remainder of the financial year 2012/13.

## **Reshaping Care for Older People/Change Fund.**

The Scottish Government Change fund presented us with an unprecedented opportunity to develop a real and equitable partnership approach with NHS Highland and the Independent and Third sectors. To facilitate this, the first action was to set up a Programme Board with equal representation from all four sectors. This was so successful that we received extremely positive feedback from our Joint Improvement Team (JIT) Supporter (Margot White) on the functionality of the Board and we were privileged to win the Scottish Care Award 2012 for Partnership Working.

Our aim during the period of the Change Fund is to change the way we work with older people and communities, in order to develop sustainable community-based services that will be fit for purpose in a future of changing demographics and increasing numbers of older people. The response we develop to these challenges needs to demonstrate a radical shift away from viewing older people as a drain on resources and via community involvement, self-management and co-production, towards viewing them as asset. Older people are living longer, healthier and happier lives and the Change Fund allows us to develop a mechanism to harness their skills, experience and expertise to enable them to realise their potential and contribute to their community and society, for as long as they want to.

Third Sector partners have invaluable expertise in this approach and in Argyll & Bute they have already expanded Time-banking and befriending to encourage older people to be involved; set up very active 'Grey Matters' groups in a number of areas; supported a group of older people in Campbeltown to open a community shop and helped older people to set up a number of activity groups, including a walking group led by a 79 year-old man, who has recently qualified as a walk leader.

To make the Change Fund work manageable we have split it into 12 work streams all feeding into the 12 core aims, with an emphasis on involvement, self-management, co-production and support for carers. This provides a positive platform for developing a sustainable approach to working in the future.

#### **Dementia Services.**

Argyll & Bute Council has worked in close partnership with NHS Highland and Alzheimer Scotland for the last two years, to develop appropriate and sustainable services for people with dementia and their families.

Service development was based on the outcomes of two dynamic conferences held in June 2010, at which people with dementia and their families made clear their need for local, accessible, flexible and multi-disciplinary services.

#### **Adult Protection: Adult Support and Protection (Scotland) Act 2007**

The Act provides the framework for the Adult Protection agenda and came into force in October 2008. During 2006/07 a new set of inter-agency procedures were drafted and approved by the Council, NHS Highland and Strathclyde Police for operational use. This resulted in an extensive programme of training across the agencies noted and the voluntary sector in Argyll.

A West of Scotland group of 12 Councils, of which Argyll & Bute is one, subsequently produced a set of procedures that has been in use since mid 2009 and which was updated at the beginning of 2011.

The development of this agenda is ongoing and is subject to scrutiny via the Adult Protection Committee and the Chief Officers Group ; both being attended by senior Council, NHS and Police officers.

**Performance Details:**

Older People: Free Personal Care

The Council has managed to achieve and sustain significant improvement in the dual agendas relating to the provision of Free Personal Care and Delayed Discharge over the last two years.

The impact of the two-tiered strategy is summarised in the table below:

Summary of Council Waiting Lists:

	<b>MAY 2006</b>	<b>MARCH 2007</b>	<b>DECEMBER 2008</b>	<b>MARCH 2009</b>	<b>MARCH 2010</b>	<b>March 2011</b>	<b>March 2012</b>
<b>FPC Community</b>	145	81	9	17	8	1	0
<b>FPC Self Funding (Residential/Nursing Care)</b>	38	20	14	6	6	0	0
<b>Council Care Home Budget</b>	38	31	7	8	9	0	0
<b>Totals</b>	<b>221</b>	<b>132</b>	<b>30</b>	<b>31</b>	<b>23</b>	<b>1</b>	<b>0</b>

(March 2012 source Pyramid Data from Care Home Placement and FPC Scorecards.)

These figures indicate the ongoing progress that has been made at a time when the requirement for services continues to increase both in terms of numbers, complexity of cases, in terms of physical and mental disability, and an ever growing public expectation of what the service can provide.

Those waiting for services invariably wait no longer than a month for services to be arranged. All clients with essential /urgent needs (Priority 1 on the Council's Prioritisation Framework) are authorised immediately as are those clients with terminal illnesses.

The figures relating to clients who self fund their residential/nursing placements (waiting for the Free Personal Care Allowance) has consistently fallen with those waiting doing so for no longer than the three months period previously agreed at Committee. The comparative figures from 2006 to 2012 indicate a significant improvement in performance during that time.

**Delayed Discharge:**

Specific targets for the reduction in delayed discharges were set by the Scottish Executive and, accepted by the Argyll & Bute Joint Future Partnership, which were historically met within acceptable limits. However, progress during the latter part of 2005/06 and the early part of 2006/07 was poor.

The Scottish Government set a target of zero against those patients waiting beyond 6 weeks for discharge and an equivalent target of zero for those patients waiting in short stay specialist beds for April 2008. The targets were achieved as noted below.

The challenge continues to be maintaining the figure at zero. This has been consistently achieved during 2010/11 with the exception of December when one client was delayed over the six week period. The excellent performance of the Health and Social Care Partnership is recognised by both the Government and SWIA as a success story for Argyll & Bute and compares favourably with other Scottish councils given the noted success. The Partnership has moved its primary focus onto the total number of delayed discharges and bed days lost as the primary performance indicators in relation to this matter as highlighted in the Adult Care scorecard on Pyramid... Again on both indicators, performance continues to improve

	<b>March 2010</b>	<b>March 2011</b>	<b>March 2012</b>
<b>Beds Days Lost Per month</b>	2115	1256	652
<b>Total Number of Delayed Discharges Per month</b>	33	25	12

(March 2012 data from Pyramid Delayed Discharge Scorecard)

Balance of Care for Older People:

During the year there has continued to be progress in addressing the balance of care issues between those cared for at home and those in residential care homes.

Date	Care in the Community %	Residential care %
Nov 2008	59.4%	40.6%
Mar 2009	62.3%	37.7%
Mar 2010	64.3%	35.7%
March 2011	65%	35%
March 2012	67%	33%

(March data from Pyramid Balance of Care Scorecard)

As noted, the move towards care in the community would appear to be rather slow with improvement in performance being marginal. This is largely explained by historical admissions to care rather than present practice where the in year figure for 2011/12 stands at 81.2% in the community and 18.8% for residential care. The expectation is that this pattern will continue and gradually impact on the total number.

Issues impacting on the balance of care:

- A greater variety of services are available in order to sustain service users at home or in sheltered housing, existing home care services are now supplemented by overnight home care services, greater availability of community nursing services and Telecare.
- Continued reduction in NHS Continuing Care beds for Older People.
- Improved understanding of the options available to sustain service users at home across the various professionals involved; Social Work, Community Nursing and GP's.
- Improved performance management information that assists local managers in driving the agenda with staff across the Council and the CHP.
- Introductions of the Admissions, Transfer and Discharge Protocol. Greater use of the Admissions, Transfers and Discharge Protocol by CHP nursing and Clinical staff.

### **Unallocated Work and Completion of Initial Assessment**

During 2008 there has been significant progress in areas of general performance:

#### ***Unallocated work:***

31 <sup>st</sup> March 2008:	294 cases
31 <sup>st</sup> March 2009:	178 cases
31 <sup>st</sup> March 2010:	90 cases
31 <sup>st</sup> March 2011:	24 cases
31 <sup>st</sup> March 2012:	3 cases

(Data from Carefirst and Pyramid Unallocated Cases)

#### ***Assessments outwith target timescale for completion:***

31 <sup>st</sup> March 2008:	242 waiting over 56 days
31 <sup>st</sup> March 2009:	180 waiting over 56 days
31 <sup>st</sup> March 2010:	47 waiting over 42 days
31 <sup>st</sup> March 2011:	30 waiting over 28 days
31 <sup>st</sup> March 2012:	20 waiting over 28 days

(Data from Carefirst and Pyramid Unallocated Cases)

In both cases, numbers have fallen significantly and in the case of outstanding assessments the target date was also been reduced from 56 to 42 days for completion on 1<sup>st</sup> April 2009 and more recently to a target of 28 days.

### **Adult Care: Issues for 2012/13**

#### **Joint Working/Integration with the NHS Highland (Argyll & Bute CHP):**

Adult Care services are being developed in the context of Joint Working with the CHP both in terms of service delivery and the integration of services and management. This section provides a summary of progress while providing the opportunity to highlight change in the services for the other client groups in Adult Care.

The integration agenda focuses on integration in client service delivery, the development of joint teams, delegated management of single teams and the agreed Partnership governance. As previously reported, the Health & Care Strategic Partnership has integrated a number of services during the previous 5 years as follows:

- Integration of Substance Misuse Teams with the CHP being delegated management responsibility on behalf of the Strategic Partnership.
- Integration of Learning Disability Teams with the Council being delegated management responsibility on behalf of the Strategic Partnership.
- Creation of Integrated Care Teams based in hospitals to assist in providing effective and timeous discharge from hospital and assist in avoiding admission to hospital and residential care homes
- Redesign of Mental Health services in Argyll & Bute. Process being led by the CHP.
- Delegation of the management of Occupational Therapy Services to the CHP.

It should not be assumed the models of integration noted will be sustained as we move into a period of legislative change which is likely to impact on existing governance arrangements while changes in operational practice such as anticipatory care will impact on how staff are organised and managed.

We are now in a period that the national consultation on the proposed statute has been issued and responded to. We await the final detail of the statute but it is expected that the council and NHS highland will agree to an integrated structure with a timescale for implementation of April 2014. While the legislation will primarily focus on older people's services it is more likely that the approach in Argyll & Bute will be to integrate across all of adult care services. In doing so this will impact on the overall management of the Social Work service in relation to the potential integration of child care services and the future role of the Chief Social Work Officer.

### **Substance Misuse: Development of the Alcohol and Drugs Partnership (ADP)**

The ADP in Argyll & Bute has to date failed to work cohesively as a partnership across the statutory and third sector agencies in bringing together a concise and strategic vision for the future of services in Argyll & Bute. A great deal of work has progressed during the last year and the ADP is now on target to produce a strategic service plan for implementation during 2013/14 with the agreement of all partners. This will undoubtedly be a time of change for all parties involved both in terms of challenging historical practice and priorities in order to create a service fit for the future.

### **Transitions Protocol: Children Affected by Disability**

Adult Care services in conjunction with Children & Families services have produced a new joint protocol to assist with the smooth transfer of responsibilities from child care to adulthood. The significance of this change cannot be underestimated both in terms of legal, financial and practice issues in promoting the independence of the young adult. It is invariably a time of anxiety and change for both the adult and their carers and requires clarity and consistency from the Social Work service which the new protocol intends to achieve.

### **Self Directed Support (Personalisation):**

The Self Directed Support agenda marks a step-change in the way care and support services are commissioned. It means enabling people to exercise choice and control over their lives and requires local authorities, including Argyll and Bute, to build community capacity and facilitate access to tailored support options for individuals identified as having eligible social care needs.

Self-directed Support (SDS) is an expression of the principles of personalisation and is the term used to describe how people with social care needs can exercise choice and control over the support mechanisms in their lives. Where people, because of the extent of their needs, require support or services to achieve this, it follows that they should be able to exercise maximum choice and control over the use of resources identified for this purpose to meet agreed outcomes. This requires people to be aware of the financial value of the public funds attributed to meet their needs – known as an individual budget – to allow them to make an informed choice about how that budget is used.

SDS is designed to bring about independence and choice for people with care or support needs; but it does not require them to take responsibility for an individually allocated direct payment. It might involve the local authority arranging and managing the service, following a discussion about the available budget and the form of support required. The option of a direct payment is more specific and involves money being paid by the local authority directly to a person whom it has assessed as needing community care services. The local authority makes the payment instead of arranging services, allowing people to purchase services to meet their own community care needs. Legislation is currently making its way through the Scottish Parliament and it is likely this legislation will place specific duties and responsibilities on Local Authorities with implementation likely by 2014.

### Self Directed Support Group

A SDS group has been set up and representatives from the Council, CHP, Third Sector, Voluntary organisations and a service user/carer representation. A series of events have been running initially for staff to consider the principles of SDS and what the term “outcome focused care planning” means for changes in well-established assessment processes and cultures within partnership organisations. These sessions have been delivered in partnership with Scottish Consortium for Learning Disability organisation (SCLD). We have also had a number of workshops with Scottish Personal Assistant Employers Network (SPAEN) exploring the link between Self Directed Support and Direct Payments.

### What Next 2012/13

Additional awareness raising sessions are being planned in partnership with SPAEN to build community understanding amongst service users and carers. These will be delivered in seven locations between October and December 2012. There will be a gradual introduction of Personalisation as we identify what works for people in Argyll & Bute. It will also take time to adjust current practice and to enable service users, carers and staff to become familiar with this approach. A regular newsletter will be produced quarterly to keep all stakeholders up to date on the progress we make during 2013/14. It will of course be for service users and carers to decide which way they wish to accept their care/support as we move towards the full legislative implementation of SDS.



**Conclusion:**

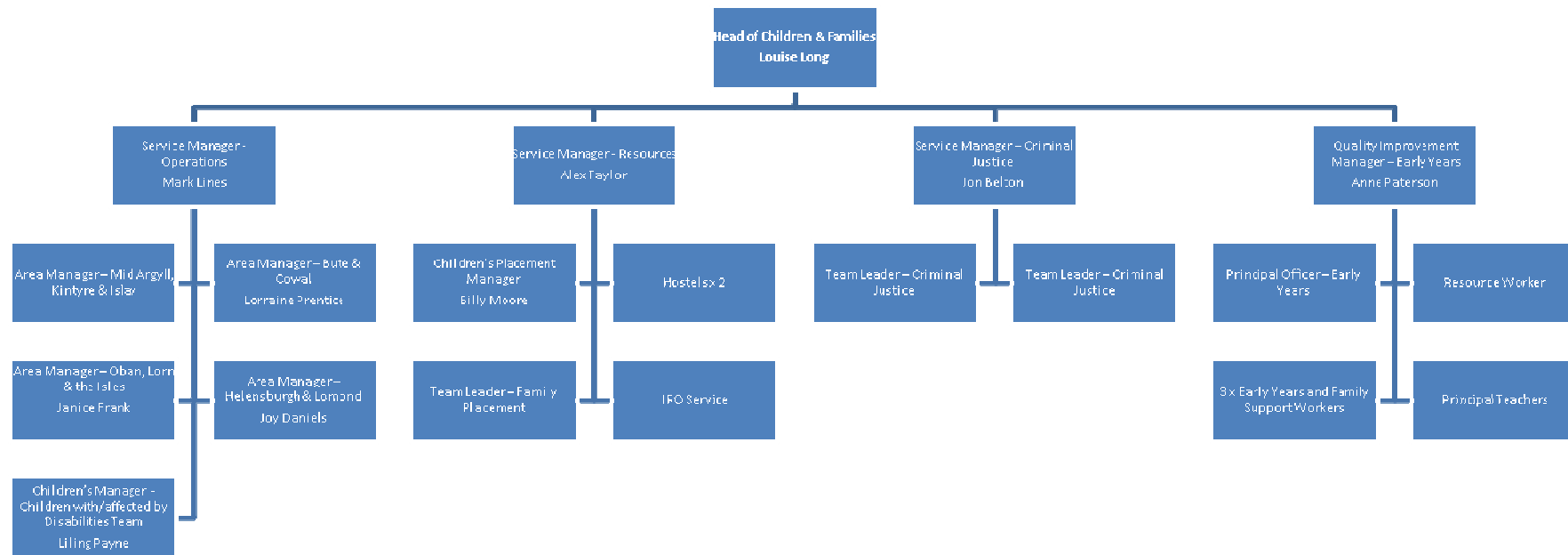
The period of 2011/12 has seen the social work service continue to be subject to change and review in order to meet the twin challenges of limited budget, increased size of client groups particularly across older people, learning disability and children with disabilities and increased service user expectation. During this period the service has continued to develop its approach to meeting the needs of the community within Argyll and Bute with notable achievements being the continued increase in family based placements for looked after children and the maintenance of low numbers of patients affected by delayed discharge.

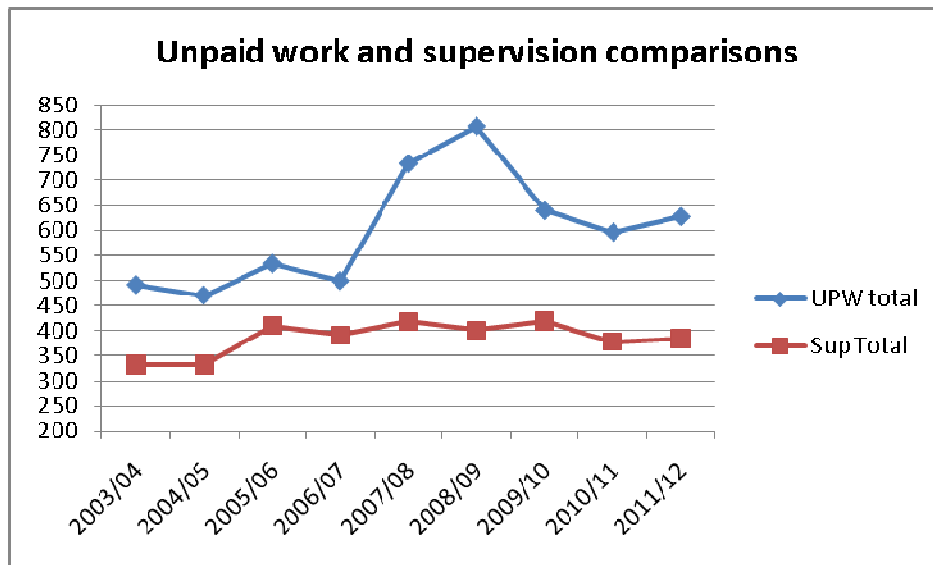
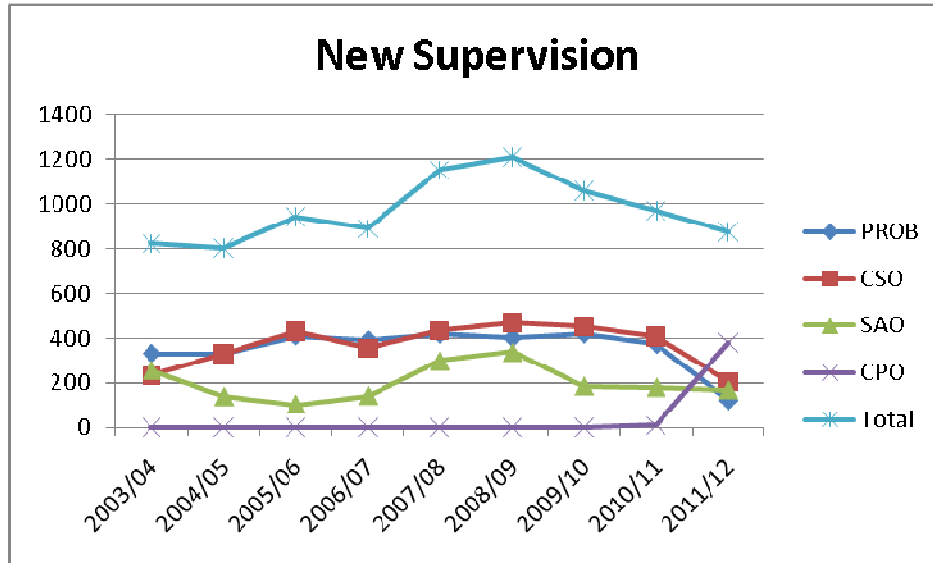
These types of achievement have been underpinned by our approach to service improvement which brings together the key aspects of this: outcome performance; staff and service user feedback, and auditing finance and management information to create a comprehensive approach to improvement.

There are further challenges ahead which will require an ongoing commitment to review and re-design that will result in a fundamental reconsideration of how we deliver services in all aspects of our business. Work is already well underway in many of these areas with significant review activity having taken across the range of services including elderly services and learning disability in adult care and in children affected by disability, early years and children with emotional and mental health needs within children's services. This activity is a core part of the council's modernisation programme and social work is well placed to help the council continue to develop in the years ahead.

**James Robb**  
**Chief Social Work Officer**

**October 2012**





## Child Protection Statistics 2011/2012

Appendix 3

Number of child protection investigations completed between 1<sup>st</sup> aug 2011 & 31<sup>st</sup> July 2012 = 192

Number of children on Child Protection Register as at 31<sup>st</sup> July 2012 = 48

Category of registration:

Physical Neglect                    17 (35%)

Physical Injury                    8 (17%)

Sexual Abuse                        0 (0%)

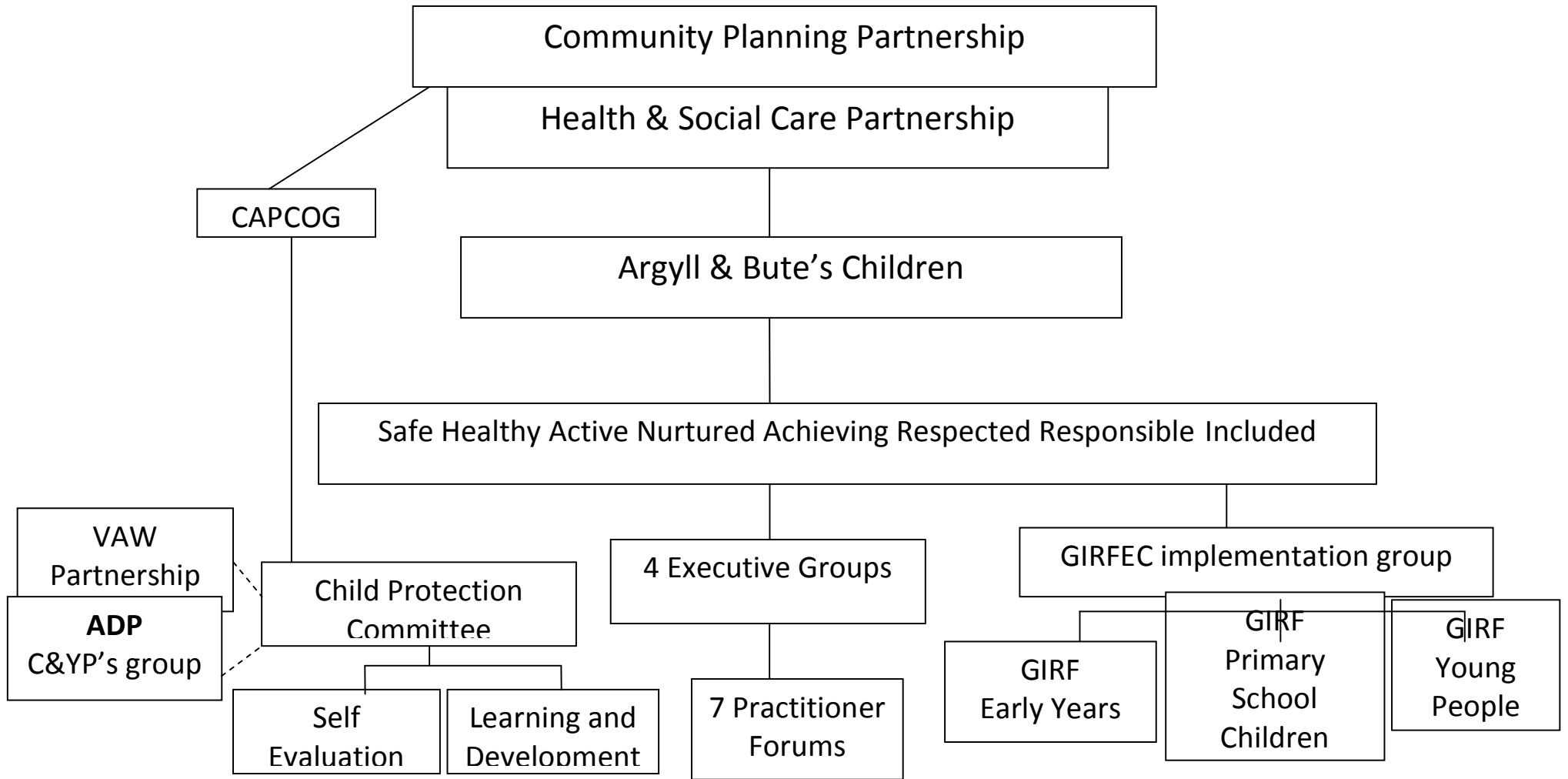
Emotional Abuse                    23 (48%)

No. of children on register at year end (31<sup>st</sup> July 2012)

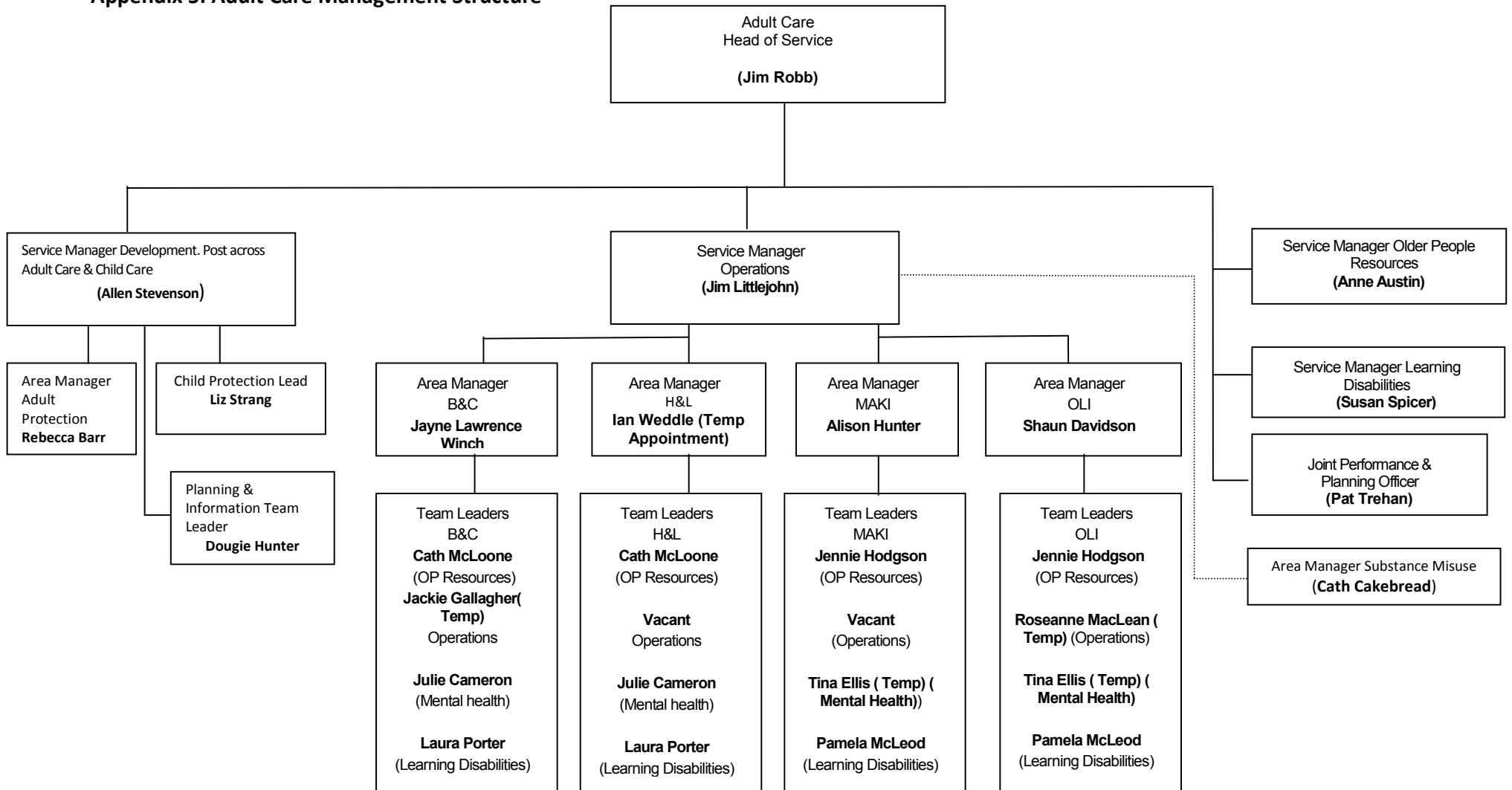
2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
48	39	43	32	43	34	57	39	43	47

Page 308

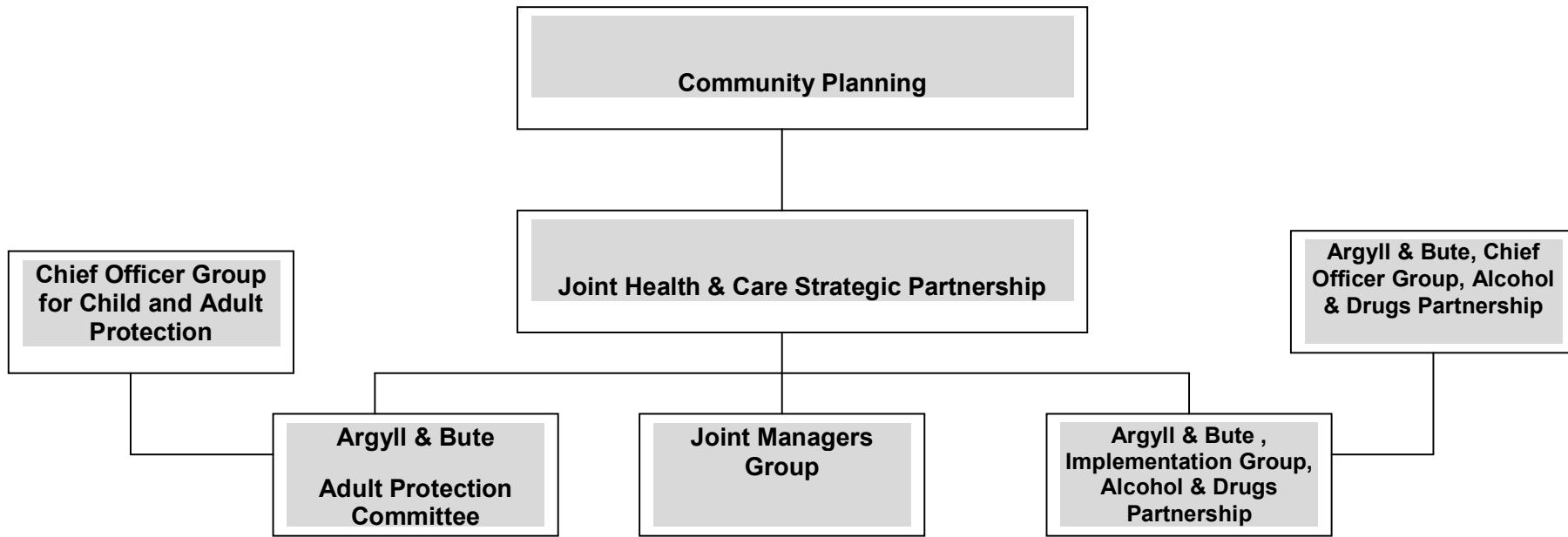
Appendix 4



## Appendix 5: Adult Care Management Structure



### Adult Care Planning Structure



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**ARGYLL AND BUTE COUNCIL****Council Meeting****Customer Services****22 November 2012**

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**PROCUREMENT CAPABILITY ASSESSMENT 2012**

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**1.0 SUMMARY**

- 1.1. The Procurement Capability Assessment (PCA) for Local Authorities is carried out by Scotland Excel, between October and December each year. The assessment for Argyll and Bute Council for the year 2012 was carried out in Kilmory on the 8<sup>th</sup> October 2012. This report provides a brief overview of the assessment.

**2.0 RECOMMENDATIONS**

- 2.1. That the Council note the contents of this report, along with Appendices 1, 2 and 3.
- 2.2. That the Council supports the Procurement and Commissioning Team in achieving a further improved score next year, which will require a commitment to the various actions in the summary report – Appendix 1.

**3.0 DETAIL**

- 3.1. The objective of the Procurement Capability Assessment (“PCA”) is to assist organisations to improve their structure, capability, processes and ultimately performance, by attaining a level of performance that is appropriate to the scale and complexity of their business.
- 3.2. The Scottish Government endorses the PCA as a key tool to help organisations drive local best practice, deliver savings and demonstrate they are working towards improving their capability.
- 3.3. Better procurement can help us do more with less and the PCA represents a real opportunity to understand procurement capability at a local, sectoral and national level, allowing improvement plans to be implemented to ensure the promotion of efficiency and effectiveness and continuous improvement.
- 3.4. This is the fourth year of national PCAs and some questions and levels in the PCA questionnaire have been clarified, merged, amended and obsolete questions deleted in line with feedback from public bodies.
- 3.5. The PCA consists of several questions under the following sections: Procurement Leadership and Governance; Procurement Strategy and Objectives; Defining the Supply Need; Procurement Commodity/Project Strategies and Collaborative; Contract and Supplier Management; Key

Purchasing Processes and Systems; People and Performance Measurement.

- 3.6. Following assessment of these areas, the assessor places the overall performance of the Council in one of the following categories:

Developing; Conformance; Improved Performance or Superior Performance.

- 3.7. This year Argyll and Bute Council achieved a score of 53%, surpassing our target of 50% and putting the Council in the Improved Performance category. This represents a significant increase of 12 percentage points from our 2011 score of 41% and places the Council in the Improved Performance category. This represents a great deal of improvement. The assessors felt it reflected the investment the Council had made in procurement this year.
- 3.8. Achieving “Improved Performance” provides the Council with a solid base for the next phase of procurement performance, with procurement working hand-in-hand with service teams to deliver a high-performing organisation that consistently delivers excellent services at low costs benchmarked against other top service providers.
- 3.9. This will require even more challenge and change for the procurement and commissioning team and their internal customers, and of course the continued backing of the senior management team in terms of resource and influence to deliver the ambition of a high-performing Council.
- 3.10. Appendix 2 shows Argyll and Bute Council’s score for 2011 in comparison with the rest of the local authorities. Please note the assessments for 2012 have not been completed yet therefore the data is not available for 2012.
- 3.11. Some areas for improvement were highlighted during the assessment – please refer to Appendix 1 for details. Should these improvements be made, the Council could achieve a further improved score next year. The internal target for next year is being set at 57%.

#### **4.0 CONCLUSION**

- 4.1. The increase of 12 percentage points is substantial, and reflects the significant investment that the Council and the Procurement and Commissioning Team had made in improving procurement over the last 2 years.
- 4.2. There remain some areas where further improvement could be made and there is more detailed consideration of these areas in Appendix 1.

#### **5.0 IMPLICATIONS**

5.1 Policy - none

5.2 Financial - none

5.3 Legal - none

5.4 HR - none

5.5 Equalities - none

5.6 Risk - If the team are not supported to make the improvements highlighted, an improved score will not be achieved in next year's PCA.

5.7 Customer Service - none

## **6.0 APPENDICES**

- 6.1** Appendix 1 – Summary PCA Report 2012
- Appendix 2 – 2011 PCA national results
- Appendix 3 – PCA 2012 Score Sheet

### **Executive Director of Customer Services**

24<sup>th</sup> October 2012

For Further information please contact:

Anne MacColl-Smith, Procurement and Commissioning Manager, 01546 604194

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## **Appendix 1**

### **SUMMARY PCA REPORT 2012**

#### **Introduction**

The Procurement Capability Assessment for Local Authorities is carried out by Scotland Excel between October and December each year. The assessment for Argyll and Bute Council was carried out in Kilmory on the 8<sup>th</sup> October 2012. The Council's score has increased each year in line with the national trend. The Council scored 53% this year in comparison to 41% in 2011.

This increase of 12 percentage points is substantial, and reflects the investment that the Council and the Procurement and Commissioning Team have made in procurement over the last 2 years.

This score falls into the improved performance quadrant. The Council is now in improved performance with a score of greater than 50% for 4 out of the 8 sections of the assessment.

This report considers the Council's performance score in detail, section by section, identifies potential for further improvement, and analyses the benefits of those improvements. Where significant improvements are suggested as a priority then a programme for achieving those improvements is included within the report.

#### **Section 1 - Procurement Leadership and Governance**

*2011 score 43%                      2012 Score 67%*

The council's score increased significantly due to being able to demonstrate that Strategic Management acknowledge the importance of procurement within the whole organisation.

In order to gain further points within this section, the Council requires to demonstrate that the Procurement and Commissioning Manager is both responsible and accountable for procurement of goods, supplies and services throughout the Council. This includes providing appropriate procurement training to relevant staff and ensuring that all research and specifications for high value or high risk procurement have strong procurement team input.

This can be achieved via regular reporting to the Strategic Management Team on all procurement activities, through ensuring the effectiveness of the newly established Procurement Board and regular programme of meetings with individual heads of service to continue to show that we have a formal process for stakeholder engagement and management which is consistently applied.

The Procurement Team will be required to provide details to the Heads of Service on both uncontracted and off contract spend on a quarterly basis in order to put a plan in place to rectify the position.

## **Section 2 - Procurement Strategy and Objectives**

*2011 score 63%                      2012 Score 73%*

The Council already scores well in this section and has had an approved procurement strategy in place since 2009. The current Procurement and Commissioning Strategy is for the term 2012-2015 and reflects the Council's strategic approach to the function. The Strategy is aligned more closely to the strategic goals and objectives of the Council as well as the Procurement Reform programme. It is also important that an emphasis on managing procurement risk is included in the strategy.

The Strategy sets out key actions that the Team will be working to complete over the next year. Provided they are achieved, this should result in a further increase in score at the next assessment.

The actions contained within this Report will form the Procurement and Commissioning Team's improvement plan which the Team will endeavour to deliver and continually improve the Council's procurement performance, regularly reporting progress to the Procurement Board and Strategic Management Team.

Further, when the next round of Performance Development Reviews are carried out, the Team's individual staff objectives will reflect the Procurement and Commissioning Strategy in order to ensure that the Strategy's objectives are met.

## **Section 3 - Defining the Supply Need**

*2011 score 33%                      2012 Score 43%*

The Argyll and Bute Council Procurement Team have had some notable successes in influencing individual contracts and achieving significant benefits for the Council. This influence is not fully embedded into processes and procedures and primarily operates at a personal level, where the individual Purchasing Officer is able to persuade the Service, or contract owner, to review their traditional practices in regard to specifications.

There is significant potential to improve the area of demand management. Two areas where improvements in this area are already underway are through the Admin Review and the Purchase to Pay Project which will deliver usable management information at line item detail level to allow decisions on consumption, including forecasting, to be properly taken. Detailed management information, including line item and forecast data, should inform

all relevant procurement decisions. This information should be easily formatted and accessed.

Both of these projects require to be completed and fully implemented in early 2013 for the Council to increase its score within this section.

The Team will be required to ensure that they strengthen their use of market research and analysis as a part of the key sourcing strategies, which require to be developed to fully reflect the recent changes in the 2012 Procurement Manual.

Services will also need to be proactive in engaging with the Procurement Team when they are developing their business/service plans and strategies to ensure that procurement is taken into account at the earliest possible stage of the process and can help shape the next iteration of specifications for service requirements.

#### **Section 4 - Procurement Commodity / Project Strategies & Collaborative Procurement**

*2011 score 41%                      2012 Score 47%*

The Procurement and Commissioning Team have been using a simplified form of sourcing strategy since before the Procurement Journey was first published. The form recommended by the Journey is more technical and oriented towards procurement professionals. Following discussion during the 2011 capability assessment on the alternative forms, it was decided that it would be appropriate for the Council to retain the simpler form for routine purchases but to use the enhanced form for key commodities. This was recently incorporated into the 2012 Procurement Manual. Detailed sourcing strategies are now in place and approved for all key commodities since the end of September 2012.

In order to gain more points in this section the Team require to strengthen their use of market research and analysis as a part of further development of the key sourcing strategies over the next year in advance of contract renewals.

The Team is also required to obtain stakeholder feedback from all users when developing key cross-functional contracts i.e. across more than one department. This will mean that the relevant service representatives who sit on the particular procurement User Intelligence Group (UIG) will need to provide feedback from their colleagues that the end users are satisfied with the goods, supplies or services duly procured.

Lessons learnt should be regularly acknowledged after procurement processes are completed, taking into account both positive and negative feedback. This should be reported to the Procurement Board and Strategic Management Team.

Risk Management must also be further embedded. This should be evidenced within the Procurement Manual, the sourcing strategy and balanced scorecard.

Sustainability is also dealt with within this section. The Council is following the Scottish Sustainable Procurement Action Plan and has all of the basic functions in place to achieve level 1 of 5. A report will be brought to SMT during December on Sustainable Procurement covering Community Benefits Clauses, Re-Tender clauses and environmental sourcing and recycling.

The Procurement and Commissioning Team together with the Project Team will consider inclusion of voluntary community benefit clauses within the Helensburgh Office project tender, and will prepare mandatory clauses can be used in significant construction contracts in line with the recommendations from the Community Skills Scotland Client Based approach.

Sustainability requires to be mainstreamed into all relevant procurement processes, including scoring sustainability related criteria within tenders.

The Team will be required to evidence the levels reached under the sustainability Flexible Framework self-assessment tool for sustainable procurement. More generally, increased consideration should be given to the criteria specified within tenders to make sure that they consider responsiveness of suppliers fully where this is a relevant consideration. This will help to ensure that the advantages of local contractors are fully recognised.

The Council currently participates in all appropriate collaborative contracts from Scottish Procurement and Scotland Excel as well as making use of Buying Solutions frameworks. The Procurement and Commissioning Team has also let contracts in collaboration with other Councils, most notably leading on the Highlands and Islands Civil Engineering Consultancy Contract (value £10million) and the Debt Collection Contract (value £3million). The Team have recently been working with other West of Scotland procurement teams in an initiative led by Glasgow City Council to identify further collaborative opportunities and those have now been mapped. Argyll and Bute Council will lead the procurement in at least one of those initiatives. It is proposed that the project will be Leisure/Sports equipment for Gyms etc.

### **Section 5 - Contract and Supplier Management**

*2011 score 26%                      2012 Score 43 %*

The methodology for Contract and Supplier Management within the Council was approved as part of the Procurement Manual revision in September 2011. The approach to Contract and Supplier Management follows closely on that recommended within the Procurement Journey.



The Procurement Manual sets out the criteria to be followed in determining key contracts and suppliers. A contract management plan has been drawn up for each key contract and has been communicated to and discussed with suppliers. Contract management meetings have been held with key suppliers and these are ongoing over the course of the year.

By carrying out supplier and contract management strictly in accordance with the terms of the SPD Procurement Journey the Council should be able to benefit from the Contract Management module of the Public Contracts Scotland Tender system (Bravo Solutions), when it becomes available during 2013. The Council is already utilising the e-tender module of Public Contracts Scotland Tender.

Effective supplier and contract management needs to be supported by consumption records and there is therefore some dependency on the creation of better management information. The availability of adequate resources will determine the width and depth of supplier and contract management.

It is essential for the continued effective contract and supplier management in line with the Procurement Journey that Services engage fully with the programme.

The Island Capital Works Contract which included reward sharing, is a particular example where contract management has been very effective and this model could potentially be replicated elsewhere.

## **Section 6 - Key Purchasing Processes and Systems**

*2011 score 44%*                      *2012 score 27%*

As detailed in the covering Report, the PCA was revised this year, there have been 16 deletions but a number of mergers and moves, 3 new questions and a large amount of amendments to the questions and evidence required. There are now a total of 52 questions.

This section has changed the most with detailed evidence being required to achieve points.

In previous years we got points for having processes and/or systems in place but the changes to the PCA questions are now looking for more in-depth evidence, e.g. percentage of transactions specific by different requirements, e-invoicing, e-purchasing, electronic receipting, etc. due to the number of manual orders the Council currently operate with it was not possible to score any higher. Oracle Purchasing will mandate the use of a procurement system (PECOS, Concerto, Tranman or CareFirst) with the exception of the Purchasing Cards.

We also now need to implement standardised item, commodity/service coding and pricing across all procurement systems.

The Council now has the requisite tools in place to develop purchasing processes and systems following the start up of the Purchase to Pay project. This project, together with the Admin review, has the potential to deliver integrated purchase to pay and provide the level of detailed management information necessary to deliver effective procurement.

The Travel and Accommodation Sourcing Team has now been fully rolled out to all Council departments. Progress still needs to be made with the other commodity areas identified which are: Corporate, Education, Construction and Facilities (including Care) and the creation of their dedicated specialist sourcing teams.

Along with the Purchase to Pay Project, it is still expected that this will result in an increase in the incidence of first time matching (purchase order, receipt and invoice) and this will increase the percentage of invoices paid within 30 days. Further investigation is required into the matching process for CareFirst and Concerto and into standardising coding for all purchases regardless of system the order has been placed in, in order to improve management information.

It is essential that these projects are fully implemented in early 2013 to achieve an increase within this section.

### **Section 7 - People**

*2011 score 48%*

*2012 Score 78%*

Following the retirement of the Exchequer Services Manager as part of the service, the Council no longer has any fully qualified procurement officers. Team members are expected to qualify in October 2013, and a fully qualified staff member has recently been recruited and is due to start in February 2013.

The majority of the Purchasing Officers in the Procurement Team are already all qualified to Level 5 in CIPS, and we are currently on programme to have four staff gaining professional membership of CIPS by October 2013. All of the procurement team have been assessed against the core competences set by Scottish Government. The training already in place through CIPS will be supplemented by practical training in accordance with the outcomes from the Competence Assessment and the Performance Development Review.

Further, all relevant service staff have been assessed and are currently receiving appropriate training either provided in house or by external trainers, taking into account their assessed need. The Team scored very highly in the section due to the commitment of the Team to have competent professional staff within the Team and appropriately trained staff within the services.

The Team will require to continue to have an appropriate training budget to ensure that all relevant staff receive the correct procurement training.

### **Section 8 - Performance Measurement**

*2011 score 27%*

*2012 score 50%*

The Procurement Team maintain Best Practice Indicators for Procurement, these are now reported on Pyramid and include targets set for each indicator. There is scope for further development of these measures.

The measurement of procurement benefits within individual contracts has to be wider than simply cost savings, and individual sourcing strategies will require to be adapted to place measurable targets against the balanced scorecard of benefits and thereafter be regularly report to the Strategic Management Team.

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## Procurement Capability Assessment national results 2011

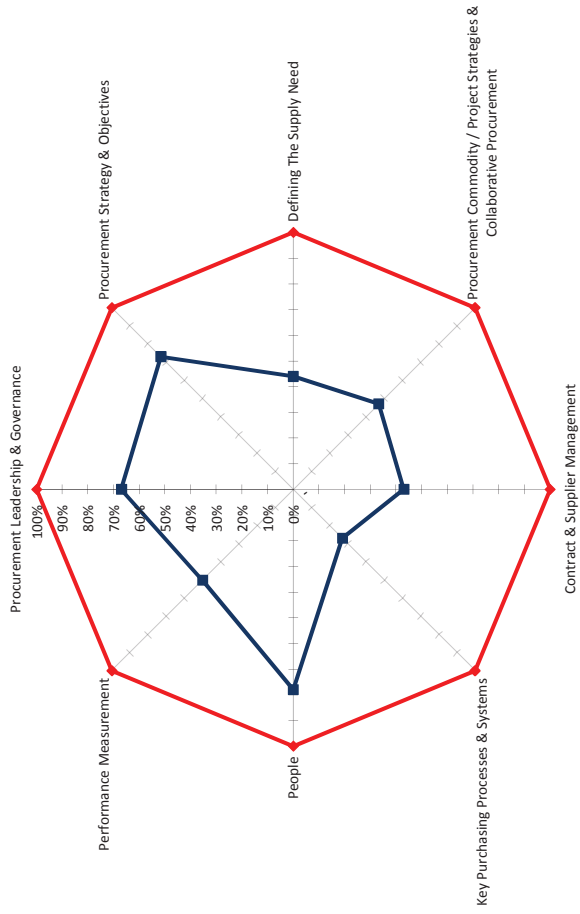
Local Authority Charts	Overall Procurement Status for the Organisation
Renfrewshire	66
Glasgow 2010	64
Aberdeenshire & City	58
East Renfrewshire	51
Edinburgh	51
North Lanarkshire	47
Perth and Kinross	45
Scottish Borders	45
East Ayrshire	44
Highland	44
Fife	42
Stirling	42
<b>Argyll and Bute</b>	<b>41</b>
South Ayrshire	39
Dumfries & Galloway	37
Dundee	37
Moray	37
West Lothian	37
Angus	36
South Lanarkshire	36
Falkirk	35
Inverclyde	34
North Ayrshire	34
Midlothian	33
West Dunbartonshire	33
East Lothian	32
Clackmannanshire	31
East Dunbartonshire	31
Comhairle nan Eilean Siar	29
Orkney	21
Shetland	19

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**Scores accumulated from Score Sheet**

Section	Score	Max	Min	Value
Procurement Leadership & Governance	15	20	5	67%
Procurement Strategy & Objectives	16	20	5	73%
Defining The Supply Need	14	24	6	44%
Procurement Commodity / Project Strategies & Collaborative Procurement	29	48	12	47%
Contract & Supplier Management	16	28	7	43%
Key Purchasing Processes & Systems	9	20	5	27%
People	20	24	6	78%
Performance Measurement	15	24	6	50%
<b>Overall</b>	<b>134</b>	<b>208</b>	<b>52</b>	<b>53%</b>

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**ARGYLL AND BUTE COUNCIL****COUNCIL****CUSTOMER SERVICES****22 NOVEMBER 2012**

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**POLICE AND FIRE & RESCUE REFORM - UPDATE**

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**1.0 SUMMARY**

- 1.1 The Police and Fire Reform (Scotland) Act 2012 came into force on 1 October 2012. The purpose of this Act is to create a single police service and a single fire and rescue service.
- 1.2 This report provides an update on the progress that has been made to date with regard to the Police and Fire & Rescue Reform agenda, in preparation for the introduction of the new Police Service for Scotland which goes live on 1 April 2013, and sets out the proposed future local scrutiny and engagement arrangements for Argyll and Bute.

**2.0 RECOMMENDATIONS**

Members are asked to;

- 2.1 Note the progress that has been made in respect of Police and Fire & Rescue Reform at a national and Argyll and Bute level; and
- 2.2 Note that details of proposed future governance and local scrutiny and engagement arrangements are being developed and will be reported to a future meeting.

**3.0 DETAIL****3.1 Background**

- 3.1.1 The Executive, at its meeting on 21 April 2011 considered two Scottish Government consultations in respect of the future of Police and Fire & Rescue services in Scotland. The terms of a response were agreed and a joint submission with the Argyll and Bute Community Planning Partnership was submitted within the 5 May 2011 deadline that had been set.
- 3.1.2 Following this initial consultation exercise the First Minister, on 7 September 2011, announced proposals to bring forward legislation that would establish a single Scottish Police Service and a single Scottish Fire and Rescue Service for Scotland and on 8 September 2011 the Cabinet Secretary for Justice Published an outline business case and consultation document (*Keeping Scotland Safe and Strong: A Consultation on Reforming Police and Fire and Rescue Services in*

*Scotland*”) seeking views on proposals for the detailed operation of these services.

- 3.1.3 The Council, at their meeting on 6 October 2011, considered a report proposing arrangements for responding to this further consultation, where it agreed that the Executive Director of Customer Services coordinate a draft response, which follows the Council’s existing policy position, in consultation with the Leader and Depute Leader of the Council, and submit to the Scottish Government before the consultation deadline of 2 November 2011.

### **3.2 Local Scrutiny and Engagement Implementation Network (LSEIN)**

- 3.2.1 On 21 December 2011 the Cabinet Secretary for Justice wrote to local authority Chief Executives, Chief Constables and Chief Fire Officers advising that The Police and Fire Reform (Scotland) Bill, which would be introduced to the Scottish Parliament in January 2012, included a framework for the delivery of local scrutiny and engagement arrangements which would need to be implemented when the legislation is enacted.

- 3.2.2 In order to support the development and smooth implementation of local frameworks the Cabinet Secretary advised in his letter that the Scottish Government would be establishing a LSEIN and invited local authorities and police and fire & rescue partners to express their interest in playing an active role in the Network, either as Pathfinders, or Networkers. On this basis a report was tabled at the Council meeting on 19 January 2012 where it was agreed that the Council should become a Pathfinder, and seek agreement from the Chief Constable and Chief Fire Officer to submit a joint expression of interest.

- 3.2.3 In the period since becoming designated as one of the Pathfinder areas, a number of pathfinder and LSEIN meetings have taken place, including;

- a) Mark Patterson – Project Executive, and Duncan Beamish – Project Manager from the Scottish Government on 6 March 2012 met with the Council’s Chief Executive, Executive Director of Customer Services and the Pathfinder leads from Strathclyde Police - Russell Dunn, and Strathclyde Fire & Rescue - Paul Connelly on 6 March 2012, to discuss the work that would be carried out by the Scottish Government and the intended approach to be taken by the Argyll and Bute Pathfinder in delivering the new arrangements.
- b) 3 LSEIN meetings held on 19 April, 25 June and 26 September – these meetings have been attended by Executive Director of Customer Services and Councillor Fred Hall (meeting on 26 September) and to date have largely been used as a forum to present the different approaches being adopted by other pathfinders, to update on progress at a national/local level, and to develop and share best practice through the use of case studies. The next meeting is scheduled for 13 December 2012.
- c) Pathfinder partners –engagement is undertaken on an ongoing basis as part of the effective community planning arrangements that are

currently in place, and specific meetings have been set up between the pathfinder leads to discuss compliance with the new legislative requirements and the development of the local scrutiny and engagement arrangements for the Argyll and Bute Pathfinder.

### **3.3 Appointment of Chief Constable and Chief Fire Officer**

3.3.1 It was announced on 25 September that The Scottish Police Authority has appointed Strathclyde Police Chief Constable Stephen House to lead the new Police Service of Scotland as its first Chief Constable. Mr House has now taken up post and will be working closely with Vic Emery, Chair of the Scottish Police Authority that will maintain and provide strategic leadership to the Police Service of Scotland to ensure a smooth transition to the Police Service of Scotland, which goes live on 1 April 2013.

3.3.2 It has also been announced that Alasdair Hay will be the first Chief Officer of the new single Fire and Rescue Service. Mr Hay will initially be based at Perth Community Fire Station, where the Scottish Fire and Rescue Service will have its interim Headquarters, and will work closely with David Dalziel, Chair of Chief Fire Officers Association Scotland, in making the transition to the single service as smooth and successful as possible.

### **3.4 Review of Community Planning and Future Governance Arrangements**

3.4.1 Strathclyde Police and Strathclyde Fire and Rescue are key partners in the Argyll and Bute Community Partnership and following the implementation of the new single services in April 2013, they will continue in this role. The future governance and local scrutiny and engagement arrangements for the Pathfinder are therefore explicitly linked to Community Planning processes and will be considered alongside the current review of Community Planning at a national level and the development of the new Community Plan and governance arrangements for Argyll and Bute.

#### Scottish Government/COSLA Review of Community Planning

3.4.2 Following the publication of a report by the Christie Commission in June 2011, on the future delivery of public services, the Scottish Government and COSLA subsequently published a shared Statement of Ambition. This put Community Planning at the heart of an outcome based approach to public services in Scotland and made clear that effective Community Planning will be at the core of public service reform, and together with SOA's, will provide the foundation for effective partnership working within which wider reform initiatives, such as the establishment of single police and fire services will happen. Work to produce detailed proposals for change based on the Statement of Ambition is now underway, with a national group having been set up, chaired by Pat Watters, immediate past President of COSLA and co-chair of the Review, to play a pivotal role in implementing and communicating the overarching vision for community planning and SOA's, identifying and addressing issues that

have a national dimension and building on the skills and capacity of partnerships.

#### Development of Argyll and Bute Community Plan

- 3.4.3 The new Community Plan is due for approval in March 2013. The proposed approach to developing the plan was agreed at the CPP Management Committee on 22 August 2012, where a 3 stage approach covering planning and prioritisation, performance management, and financial management was approved. The Head of Strategic Finance is leading on this project for the Council, and leads have also been nominated for Police (Barry McEwan), Fire (Jim Scott), and NHS (Elaine Garman). Regular progress reports will be submitted to the CPP Management Committee and the first of these was tabled at the meeting held on 17 October 2012.

#### Local Scrutiny and Engagement Arrangements - Proposals

- 3.4.4 Arising from the discussions held with the other Pathfinder leads, and the current review of community planning and development of the Argyll and Bute Community Plan a number of proposals have been identified to build on the positive arrangements that are already in place, including;
- a) **Development of a single Management Team** for CP partners in Argyll and Bute - paper to CPP Management Committee on 17 October entitled "Future Governance Arrangements for the CPP" proposes the creation of a CPP Chief Officers Group – more detailed paper on the role/reporting lines for this group to be tabled at the meeting scheduled for 12 December 2012
  - b) **Development of SOA/Scorecard for Community Planning** – proposal to include specific sections for the local Police and Fire plans, including key outcomes/indicators for scrutiny. As part of this, more stringent measures will be put in place to ensure that all CPP partners provide performance information on a regular basis and in a consistent format
  - c) **Governance/reporting arrangements** – proposed that scrutiny by elected members of new community plan, including key police and fire outcomes/indicators will take place on a quarterly basis at the Performance Review and Scrutiny Committee and the full Council. Performance will also continue to be scrutinised using the Community Planning operating procedures, which are currently subject to review, alongside the development of the new Community Plan.
  - d) **Engagement of elected members** – update reports on the pathfinder submitted to Council, scrutiny arrangements as per c) above, nominated elected member representation on the Strathclyde Police Authority/Board of Strathclyde Fire and Rescue Service, and attendance at the LSEIN meetings.

## **4.0 SUMMARY**

- 4.1 This report provides an update on the progress that has been made to date with regard to the Police and Fire & Rescue Reform agenda, and

sets out the proposed future local scrutiny and engagement arrangements for Argyll and Bute.

**5.0 IMPLICATIONS**

- 5.1. Policy – none
- 5.2. Finance – none
- 5.3. Legal - none
- 5.4. Equal Opportunities - none
- 5.5. HR – none
- 5.6 Risk - none
- 5.7 Customer Service – none

**17 October 2012**

**Douglas Hendry  
Executive Director – Customer Services**

For more information please contact;  
Laura Cameron  
Executive Support Officer  
Customer Services

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**ARGYLL AND BUTE COUNCIL**  
**CUSTOMER SERVICES**

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**COUNCIL**  
**22 NOVEMBER 2012**

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**INDEPENDENT MEMBER ON AUDIT COMMITTEE**

---

**1. SUMMARY**

This report sets out proposals for appointing an independent Member of the Audit Committee.

**2. RECOMMENDATIONS**

2.1 To note that four applications have been received for the role of Independent Member of the Audit Committee; and to appoint a Panel of six Members, four from the Administration and two from the opposition; to interview and appoint a suitable candidate from the applications submitted.

2.2 To agree that the term of office for each appointment be to 30 April 2017 or such other period as the Council may determine, and that the panel be authorised to designate the roles of Chair and Vice Chair as provided for in the Constitution.

**3. DETAIL**

2.1 Four applications were received for Independent Members of the Audit Committee after a further round of advertising took place.

2.2 It is proposed that a panel of six Members, four from the Administration and two from the opposition, are appointed to interview and appoint a suitable candidate.

2.3 The period of appointment should be to 30 April 2017 or until such other date as the Council determines.

**4. IMPLICATIONS**

Policy - The independent appointments provide assurance on the Council's commitment to scrutiny and transparency.

Financial - None

Legal - None

Personnel - None

Equal Meets equality requirements

Opportunities -

Customer None

Services -

**Executive Director – Customer Services**  
**22 October 2012**

For further information contact:  
Charles Reppke, Head of Governance and Law. Tel 01546 604192



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**ARGYLL & BUTE COUNCIL****COUNCIL****CUSTOMER SERVICES****22 NOVEMBER 2012**

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**APPOINTMENTS TO OUTSIDE BODY – HEALTH AND WELLBEING PARTNERSHIP**

---

**1. SUMMARY**

- 1.1 The Council has received a request from NHS Highland to appoint an Elected Member representative to sit on their Partnership.

**2. RECOMMENDATIONS**

- 2.1 The Council is invited to consider whether or not it wishes to make an appointment to the Health and Wellbeing Partnership.

**3. BACKGROUND**

- 3.1 The Health and Wellbeing Partnership (previously called the Health Improvement Planning and Performance Action Group) are in the process of reviewing the terms of reference for the group following a review of health improvement delivery. The Partnership feel it would be advantageous to have the presence of an Elected Member at their meetings.

- 3.2 The Partnership will meet quarterly and the dates for 2013 are 8 January, 23 April, 23 July and 22 October, and the purpose of the group is:-

- to champion local health priorities
- to review and give support to operational programmes, for example healthy weight and mental health
- to oversee the administration of small grants funding
- to oversee and support the activities of the 7 local health and wellbeing networks
- to report outcomes to the Social Affairs Thematic Group and via the SOA/CP

**4. IMPLICATIONS**

- 4.1 Policy - This is in keeping with the Council's commitment to work with other agencies in partnership to benefit the people of Argyll and Bute.
- 4.2 Financial - The Council will incur costs in Members participating in these meetings.
- 4.3 HR - None
- 4.4 Equal Opportunities - None
- 4.5 Legal - None
- 4.6 Risk - None
- 4.7 Customer Services - None

Douglas Hendry  
Executive Director – Customer Services  
For further information contact Charles Reppke on 01546 604192

October 2012

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**ARGYLL & BUTE COUNCIL****COUNCIL****CUSTOMER SERVICES****22 NOVEMBER 2012**

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**APPOINTMENT TO COSLA SPORT, ARTS AND CULTURE WORKING GROUP**

---

**1. SUMMARY**

- 1.1 This report invites the Council to make an appointment to the COSLA Sport, Arts and Culture Working Group.

**2. RECOMMENDATIONS**

- 2.1 The Council is invited to make an appointment to the COSLA Sport, Arts and Culture Working Group.

**3. BACKGROUND**

- 3.1 The COSLA Community Well-Being and Safety Executive Group recently agreed to establish a group to bring all Sports, Arts and Culture Conveners (or Equivalent) together on a regular basis. The aforementioned policy areas may not sit solely within one Council department and thus there may be more than one elected member that will have an interest in this group and may wish to be involved. COSLA are limiting places at each meeting to one per local authority, in line with COSLA Executive Group procedures.
- 3.2 COSLA are keen to be inclusive and ensure the right members are around the table at the right time, they are proposing to rotate the agenda focus between sport and culture. If the Council feel sports and culture would be most appropriately represented by different elected members (Cllrs Philand and Glen-Lee), the Council could nominate two members based on the focus of the Agenda, the one appropriate elected member with that remit could attend.
- 3.3 The All of Scotland Group brought together elected members and officers of local authorities, Scottish Government and national organisations in a forum to share information and develop best practice related to the legacy benefits of the Commonwealth Games. The Executive Group have felt that this agenda could now sit within the Working Group and as agreed with the Chair, the All of Scotland Group will no longer exist. Our representative on the All of Scotland Group, Cllr Philand, may therefore wish to be considered for this Working Group.

**4. IMPLICATIONS**

- 4.1 Policy - This is in keeping with the Council's commitment to work with other agencies in partnership to benefit the people of Argyll and Bute.
- 4.2 Financial - The Council will incur costs in Members participating in these meetings.

- 4.3 HR - None
- 4.4 Equal Opportunities - None
- 4.5 Legal - None
- 4.6 Risk - None
- 4.7 Customer Services – None

Douglas Hendry  
Executive Director – Customer Services  
For further information contact Charles Reppke on 01546 604192

November 2012

## PROGRAMME OF MEETINGS – 2013/ 2014

Committee	Dates already approved				2013								2014			
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April
<b>Council</b>	Thurs 24	Thurs 14 Budget	Thurs 21	Thurs 25	Thurs 23	Thurs 27		Thurs 29	Thurs 26	Thurs 31	Thurs 28	Thurs 19	Thurs 23	Thurs 13 Budget	Thurs 20	Thurs 24
<b>Planning, Protective Services &amp; Licensing</b>	Wed 23	Wed 20	Wed 20	Wed 17	Wed 22	Wed 19		Wed 21	Wed 25	Wed 23	Wed 20	Wed 18	Wed 22	Wed 19	Wed 19	Wed 23
<b>Audit Committee</b>			Fri 15			Fri 21			Fri 20			Fri 13			Fri 21	
<b>Performance Review and Scrutiny Committee</b>		Thurs 21				Thurs 20		Thurs 22			Thurs 21			Thurs 27		
<b>Helensburgh &amp; Lomond Area Committee(am)/Area Community Planning Group(pm) Business Day(am)</b>	Tues 15  (BD)	<b>Tues 12  (AC)</b>	Tues 12  (BD/CP)	<b>Tues 9  (AC)</b>	Tues 14  (BD)	<b>Tues 11  (AC/CP)</b>		<b>Tues 13  (AC)</b>	Tues 10  (BD/CP)	<b>Tues 8  (AC)</b>	Tues 12  (BD)	<b>Tues 10  (AC/CP)</b>	Tues 14  (BD)	<b>Tues 11  (AC)</b>	Tues 11  (BD/CP)	<b>Tues 8  (AC)</b>
<b>Bute and Cowal Area Committee(am)/Area Community Planning Group(pm) Business Day(am)</b>	Tues 8  (BD)	<b>Tues 5  (AC)</b>	Tues 5  (BD/CP)	<b>Tues 2  (AC)</b>	Tues 7  (BD)	<b>Tues 4  (AC/CP)</b>		<b>Tues 6  (AC)</b>	Tues 3  (BD/CP)	<b>Tues 1  (AC)</b>	Tues 5  (BD)	<b>Tues 3  (AC/CP)</b>	Tues 7  (BD)	<b>Tues 4  (AC)</b>	Tues 4  (BD/CP)	<b>Tues 1  (AC)</b>
<b>Mid Argyll, Kintyre &amp; the Islands Area Committee(am)/Area Community Planning Group(pm) Business Day(am)</b>	Wed 9  (BD)	<b>Wed 6  (AC)</b>	Wed 6  (BD/CP)	<b>Wed 3  (AC)</b>	Wed 1  (BD)	<b>Wed 5  (AC/CP)</b>		<b>Wed 7  (AC)</b>	Wed 4  (BD/CP)	<b>Wed 2  (AC)</b>	Wed 6  (BD)	<b>Wed 4  (AC/CP)</b>	Wed 8  (BD)	<b>Wed 5  (AC)</b>	Wed 5  (BD/CP)	<b>Wed 2  (AC)</b>
<b>Oban, Lorn &amp; the Isles Area Committee(am)/Area Community Planning Group(pm) Business Day(am)</b>	Wed 16  (BD)	<b>Wed 13  (AC)</b>	Wed 13  (BD/CP)	<b>Wed 10  (AC)</b>	Wed 8  (BD)	<b>Wed 12  (AC/CP)</b>		<b>Wed 14  (AC)</b>	Wed 11  (BD/CP)	<b>Wed 9  (AC)</b>	Wed 13  (BD)	<b>Wed 11  (AC/CP)</b>	Wed 15  (BD)	<b>Wed 12  (AC)</b>	Wed 12  (BD/CP)	<b>Wed 9  (AC)</b>
<b>Community Planning Partnership</b>																
<b>Community Planning Management Committee</b>																
<b>Employee Joint Consultative Committee</b>		Fri 8							Fri 27					Fri 7		

Community Planning Meeting dates being agreed at December 2012 Meeting

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**ARGYLL AND BUTE COUNCIL****CUSTOMER SERVICES****PROPOSED EXTENSION OF BYELAW  
CONSUMPTION OF ALCOHOLIC DRINK IN  
DESIGNATED PLACES IN RELATION TO OBAN****DATE**  
**22 November 2012**

<b>1.</b>	<b>INTRODUCTION</b>	
	1.1	This report advises the Council further on the proposal to amend the byelaw prohibiting consumption of alcohol in designated public places to extend the scope thereof to include Soroba, Glengallan and the Pulpit Hill areas of Oban.
	1.2	The Council had previously agreed that the Executive Director of Customer Services be instructed to initiate the process for revision of the existing byelaw to incorporate these areas.
	1.3	Consultation has taken place with the Police and interested parties.
	1.4	Members are asked to consider the information received, the recommendation and the proposed amendment to the byelaw.
<b>2.</b>	<b>RECOMMENDATIONS</b>	
	2.1	<p>The Council having due regard to the consultation undertaken with relevant parties and the information gathered to inform the review agrees to amend the existing byelaws as detailed in the attached draft byelaws and</p> <p>(a) authorises the Head of Governance and Law to advertise the intention to amend as required by the Local Government (Scotland) Act 1973; and</p> <p>(b) authorises the Head of Governance and Law to authenticate the byelaws after the period of one month has expired if no objections received and submit the byelaw to the Scottish Government for confirmation and agree the commencement date with the Scottish Government if confirmed.</p>
<b>3.</b>	<b>DETAIL</b>	
	3.1	The Argyll and Bute principal byelaws, prohibiting consumption of alcohol in designated public places, were established in 1998 and then amended in April 2009 following a review of the principal byelaws.
	3.2	Strathclyde Police requested that consideration be given to extending the existing byelaw in Oban prohibiting consumption of alcohol in public. This request was considered by the Oban, Lorn and the Isles Area Committee and thereafter by the Council's Executive who recommended to the Council that the Executive Director of Community Services be instructed to initiate the process

		for revision of the existing byelaw to extend the scope thereof to include Soroba, Glengallan and the Pulpit Hill areas of Oban. The Council agreed this recommendation.
3.3		<p>Advice from the Scottish Government contained in Circular JD/6/2007 details the procedure required in order to obtain approval for a byelaw namely –</p> <ol style="list-style-type: none"> <li>I. Consider justification for the boundaries of proposed areas. Police and interested parties should provide information to help determine the extent of the boundaries.</li> <li>II. Consult with the Police and, thereafter, the Procurator Fiscal to ensure they are content with the amendment proposal and that it is sufficiently precise for the purpose of prosecution.</li> <li>III. Consult with relevant and interested parties. It is considered that the relevant parties for such a consultation are the Community Council, the licensed trade organisations, the local crime prevention groups and others identified in the locality. This is not a legal requirement but is recommended as good practice. A four week period should be given for responses.</li> <li>IV. Advise the Scottish Government of the intention to amend the byelaw and submit a draft copy.</li> <li>V. Draft the byelaw and place it before Council for approval.</li> <li>VI. Advertise the intention to apply for confirmation of the byelaw amendment as required by the Local Government (Scotland) Act 1973 Act (advertise in press, allow one month for objection).</li> <li>VII. After a minimum of one month from the date of expiry of the advertisement the Council makes the byelaw and submit it to the Scottish Government for confirmation by Scottish Ministers.</li> <li>VIII. Agree the date on which the byelaw comes into operation (S202, Local Government (Scotland) Act 1973) which is normally one month after the byelaw has been confirmed.</li> </ol>
3.4		The Oban, Lorn and the Isles Area Committee had before it, when it made the recommendation to extend the area, from Strathclyde Police detailing crimes and incidents in Oban in relation to drinking in public places. Following the endorsement of the Area Committees recommendation Officers carried out further consultations and received updated crime statistics.
3.5		Strathclyde Police and the Procurator Fiscal are in agreement with the proposal to amend the area to include Soroba, Glengallan and the Pulpit Hill areas of Oban. Strathclyde Police have advised that the proposed areas of Soroba, Glengallan and Pulpit Hill reflects the finding of the statistical analysis undertaken identifying issues in the proposed areas.



	3.6	Consultation letters on the proposal were issued on 26 July 2012 with a closing date for responses of 24 August to Oban Community Council, the Licensed Trade Association, the Local Area Community Planning Partnership and the Community Safety Partnership. Oban Community Safety Forum advised they supported the proposal. No other responses were received.	
	3.7	A draft copy of the proposal was submitted to the Scottish Government to establish if the proposals were sufficiently precise and avoid any need to re- advertise the byelaw proposals, and confirmation has been received that informally they are content with the draft.	
	3.8	Members require to consider ,having considered the information received as detailed above, if they wish to proceed with the extension of the area, and if so approve the byelaw as attached to this report.	
	3.9	If Members approve the making of the byelaws the next stage of the process is to advertise the intention to amend the principal byelaws in the Oban Times as the proposal only relates to that area within Argyll and Bute and after one month from the date of the advert if no objections are received by the Scottish Government thereafter apply to them for confirmation of the byelaw.	
	3.10	If the byelaw is confirmed a notice will require to be placed in the local press advising that the byelaw has been made. Notices will also require to be put up round the additional areas advising that the byelaw applies and the penalty for an offence.	
<b>5.</b>	<b>IMPLICATIONS</b>		
	5.1	Policy	None
		Finance	Cost of signage to inform public of byelaw restriction on public drinking
		Personnel	Governance and Law coordination of the process and production of amended byelaw
		Legal	If Council agree to proceed with amended byelaw will require to advertise to comply with the Local Government (Scotland)Act
		Risk	None
		Customer Services	None

Douglas Hendry  
Executive Director – Customer Services  
7<sup>th</sup> November 2012

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**THE ARGYLL AND BUTE COUNCIL PROHIBITION OF THE CONSUMPTION OF  
ALCOHOLIC DRINK IN DESIGNATED PLACES  
(AMENDMENT) (NO 2) BYELAWS 2012**

ARGYLL AND BUTE COUNCIL, constituted under the Local Government etc (Scotland) Act 1994 and having its principal offices at Kilmory, Lochgilphead, Argyll (hereinafter referred to as “the Council”), in exercise of the powers conferred upon it by Sections 201, 202 and 203 of the Local Government (Scotland) Act 1973, as amended, and of all other powers enabling it in that behalf, hereby makes the following byelaws:-

**1. CITATION AND INTERPRETATION**

- i. These byelaws may be cited as The Argyll and Bute Council Prohibition of the Consumption of Alcoholic Drink in Designated Places (Amendment) (No 2) Byelaws 2012.
- ii. In these byelaws “the principal byelaws” means the byelaws made by the Council on 17 December 1998 and confirmed by the Secretary of State for Scotland on 01 August 1999, The Argyll and Bute Council Byelaws Prohibiting Consumption of Alcohol in Designated Places.

**2. AMENDMENT OF PRINCIPAL BYELAWS**

- i. The schedule annexed and signed as relative to the said principal byelaws shall be amended to the following effect.
- ii. At the end of the paragraph entitled “OBAN, LORN AND THE ISLES OBAN” on paged 8 and 9 of the said Schedule after the words “and the two additional areas of ground situated generally at Dunollie and Miller Road respectively all as shown delineated and hatched green and marked on the plan marked “Plan 4” annexed and signed as relative hereto”, insert the following:-

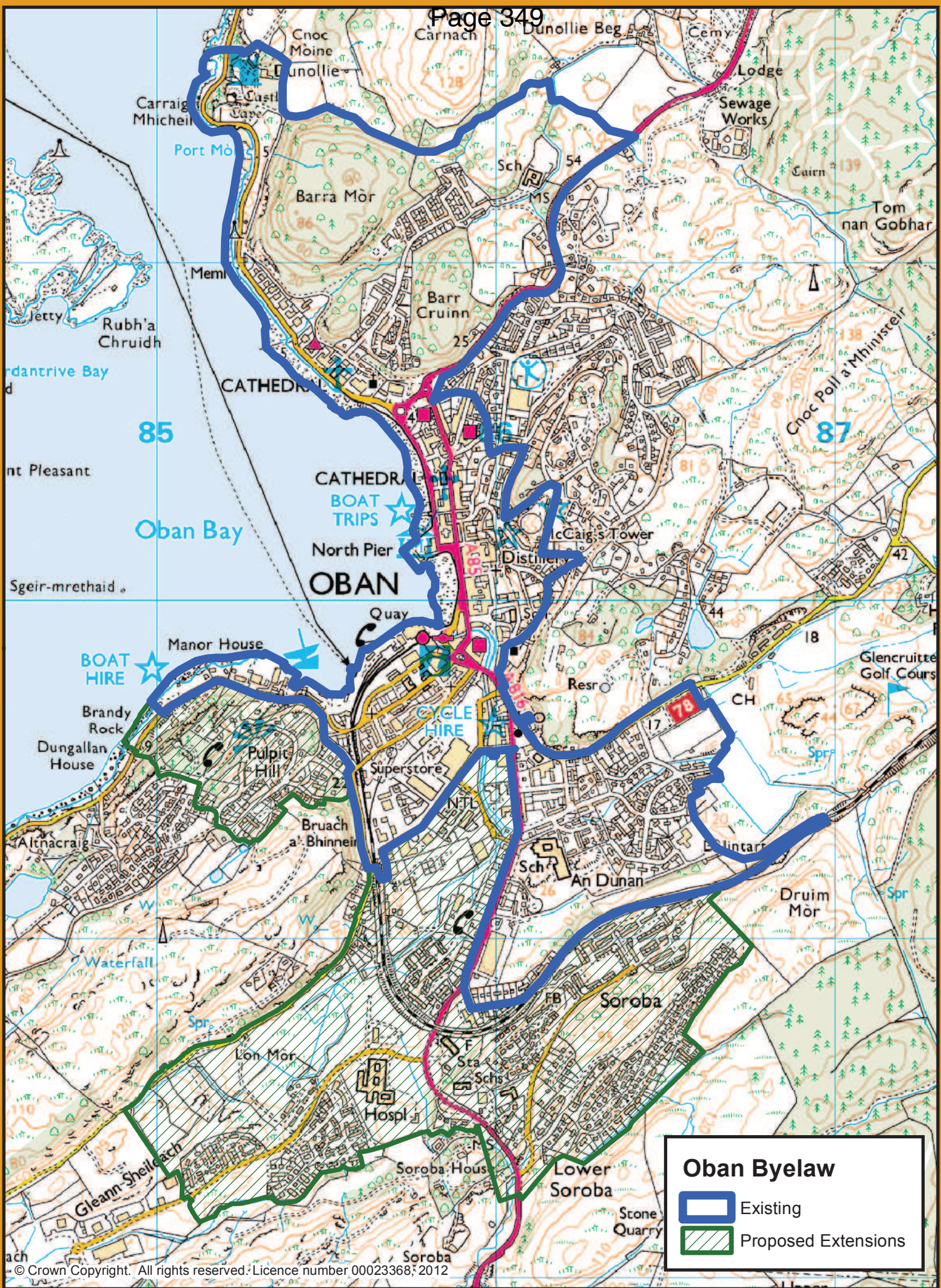
“And the three additional areas of ground situated generally at Soroba, Glengallan and Pulpit Hill respectively all as shown delineated and hatched green and marked on the plan annexed and signed as relative hereto”.

Signed .....  
Charles George Reppke  
Proper Officer  
Argyll and Bute Council

Date.....

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**Oban Byelaw**

- Existing
- Proposed Extensions



### Proposed Oban Byelaw Extensions July 2012





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**ARGYLL & BUTE COUNCIL****COUNCIL****DEVELOPMENT &  
INFRASTRUCTURE SERVICES****22nd November 2012**

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**HELENSBURGH PIERHEAD MASTERPLAN APPROVAL**

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**1. INTRODUCTION**

- 1.1 On the 15th of December 2011 the Executive authorised the Executive Director for Development & Infrastructure to undertake a public consultation on proposed Draft Masterplans for two key development sites in Helensburgh in an effort procure a proposed new Leisure Facility and further the development and marketing of the Pierhead and Hermitage Sites. Following this consultation the former Hermitage Masterplan was approved but the scale of changes proposed for the Pierhead required that a further round of public consultation would be necessary and this commenced on the 3rd of September 2012 for a 28 day period which attracted 29 individual responses.
- 1.2 This report contains a summary of the responses made to the Finalised Masterplan following the consultation period and recommends that the Finalised Pierhead Masterplan be approved as supplementary guidance to inform future development on this important site (see attached **Pierhead Finalised Masterplan Document**). Once approved the Masterplan will also inform a marketing brief for the site and the council's capital investment in the Pierhead area including flood prevention and the construction of the new leisure facility. The changes to the Masterplan have been made with the assistance of Gareth Hoskins Architects.

**2. RECOMMENDATIONS**

- 2.1 That the Council approve the **Finalised Pierhead Masterplan** as attached to this report and officers be instructed to start its implementation.

**3.0 BACKGROUND**

- 3.1 The background to the need for the Masterplans was set out in the report approved by the Executive on the 3<sup>rd</sup> of November 2011. On the 15<sup>th</sup> of December the Executive approved the Masterplans for a period of public consultation that commenced on the 16<sup>th</sup> of December 2011 and finished on the 18<sup>th</sup> of January 2012.
- 3.2 The scale of the changes required to the Draft Pierhead Masterplan arising from the comments received during the consultation together with council decisions relating to the capital program required that a Finalised Pierhead Masterplan be produced.
- 3.3 As Members are aware the Pierhead Masterplan has been subject to extensive consultation over recent years, the full results of can be found in the published **Public**

**Consultation Document.** The changes proposed to the Finalised Masterplan reflected these comments received and consequently resulted in significant change that required a further round of public consultation. This round of consultation commenced on the 3rd of September 2012 and finished on the 1st of October 2012. The consultation consisted of the publication of the Finalised Pierhead Masterplan on the council's website, the placing of paper copies in all local libraries in the Helensburgh and Lomond area and Scotcourt House together with the use of an on line form to allow people to record their views. In addition, a press release was issued to all local newspapers, a formal public notice, messages were sent on twitter by the council's communication team and a meeting of the Helensburgh Community Council was attended by the Development Policy Manager to encourage participation in the consultation, carry out a presentation on the content of the Masterplan and answer any questions.

#### **4.0 SUMMARY OF COMMENTS RECEIVED**

- 4.1 Despite over **250** individuals viewing the Masterplan on the council's web site only **29** submissions have been received either through the council's web site or by email during the consultation.
- 4.2 While the number of comments submitted has been low the general sentiment of submitted forms has been positive to the Finalised Masterplan which was acknowledged as clearly taking into account the views of local residents that were expressed at the previous draft stage.
- 4.3 That said, a number of people remain against the idea of any new retail units on the Pierhead saying that "there already too many empty units and charity shops in the Town Centre". In response to this concern the retail units proposed for the Pierhead are intended to provide modern sized flexible units designed to attract new commercial operators to Helensburgh that will add to the general retail offer of the town centre helping to attract additional footfall to the wider area.
- 4.4 In addition, submissions to the consultation were also received by representatives of Sainsburys and Asda Supermarket chains. Sainsbury's main consideration relates to their ownership of the site, namely the vacant site of the former Mariner's Pub, and their need to safeguard their access rights to the site and reasserting the importance of their site in relation to the delivery of the Masterplan, particularly with regard to providing the retail floorspace, addressing flood risk and dealing with traffic and access issues. Asda representatives stated that in light of the decision taken with regard to Waitrose there was still a pressing requirement for larger scale convenience retailing within Helensburgh Town Centre. Consequently, Asda stated that the Masterplan must allow for the provision of new retail floorspace in the form of a superstore of a size that will compete with the approved Waitrose store at Cardross Road and would welcome the opportunity to work with the council to demonstrate what was possible to deliver this on the site in a sensitive manner.
- 4.5 Helensburgh Community Council submitted a detailed response to the consultation that stated their general support for the Finalised Masterplan with a number of detailed comments together with some suggestions for further amendments including:-
  - Make the leisure pool facility a little larger to include a Heritage / visitor centre giving Helensburgh an indoor, year round public attraction.



- The public toilets should also be located within the building. They would be less likely to be misused.
- A restaurant with a separate entrance from the rest of the building. It would have a great view over the Clyde and would be along the lines of the restaurant at Lomond Shores.
- They also liked Gareth Hoskins original design for the building where the roof is used as a public open space and viewing gallery. We would like to see this feature incorporated

Helensburgh Community Council also made a number of recommendations:-

- A&BC to consult the users of the skateboard park over what new equipment is installed.
- A&BC to consult the Helensburgh Play Parks Association over the new play equipment
- A&BC to seek input/assistance from the Royal Navy and Babcock to the project
- Car parking made free on the pier. The car parking for the swimming pool could be subject to a small charge which would be refunded when paying admittance.
- The shop units be heavily marketed to quality retailers which would be a draw to the town for visitors and locals alike (while the Council can't pick and choose who goes into the shops it can certainly exert an influence).
- A &BC to investigate the linking of the leisure centre and the retail units with a covered walkway.

4.6 These comments and recommendations together with a number of other similar comments received by the general public are considered to be too detailed to be dealt with by the broader brush Masterplan document. There could also be issues with actual delivery of enlarged elements of the scheme such as the proposed Heritage Centre. That said, the issues raised need to be addressed and/or taken into account when different elements of the project, including any detailed design works and costings, emerge in the months ahead.

4.7 It should also be noted that following the close of the consultation Helensburgh Community Council wrote to the council expressing their concern that the consultation was insufficient to adequately understand local peoples' views. Council officers did however make every effort to get people involved through local media and use of the council's web site in accordance with the consultation arrangements set out in the report to the council that approved the release of the Finalised Masterplan. It is considered however, given the feedback received, that the public generally appear to accept that the views expressed at earlier consultations were taken into account and reflected in the Finalised Masterplan and no further comment was necessary.

## **5.0 CONCLUSION**

5.1 Following approval by the former Executive in December public consultation was undertaken during the specified timescales that attracted survey responses and additional items of correspondence from approximately 1,200 local people and other interested parties including agents of retail operators/potential developers of both sites. Taking into account the views expressed by local members of the public at this time significant changes were made which in turn led to a Finalised Masterplan being approved by the council in August for a 28 day consultation day period. This

consultation has now ended with a generally positive response with regard to the Finalised Masterplan albeit gathered from a small number of actual responders. Consequently, it is considered that no further changes to the Finalised Masterplan are necessary and the council should therefore approve it as supplementary guidance to help guide future development on this site. Once finally approved it is intended that the Masterplan will help inform a marketing brief for the site and the implementation of the council's capital programme with regard to Helensburgh.

**6.0 IMPLICATIONS**

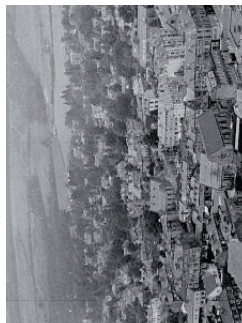
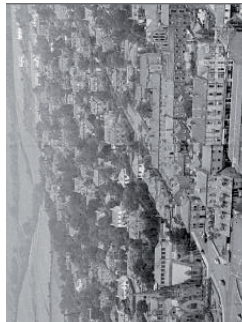
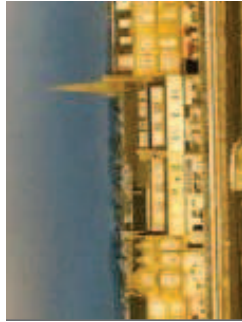
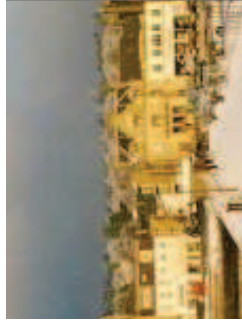
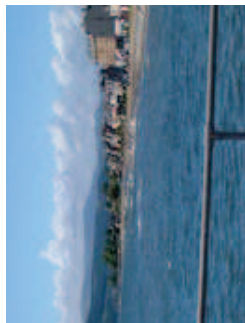
<b>Policy</b>	Consistent with LDP
<b>Financial</b>	Masterplan will inform Marketing Brief and capital Investment plan for the Pierhead area
<b>Personnel</b>	None
<b>Equalities Impact Assessment</b>	None anticipated
<b>Legal</b>	None
<b>Risk</b>	The consultation demonstrated a majority support with caveats; the risk to the delivery of the masterplan is manageable
<b>Customer Service:</b>	Staff will be employed to deliver this.

Sandy Mactaggart

Executive Director  
Development & Infrastructure

Helensburgh Pierhead  
**Masterplan Addendum**  
May 2012

Gareth Hoskins Architects





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With the Pierhead recognised as the most important development site in the town centre of Helensburgh Argyll & Bute Council have identified the need to look in detail at the best way of developing this key site. A masterplan for the Pierhead was completed in 2009 by Urley Associates and was approved as Supplementary Planning Guidance. However economic conditions have changed and the Council considers there is a need to update the 2009 Masterplan, taking into consideration current market conditions and recent studies.

In parallel the Council has looked at the development of the former Hermitage Academy site and considered how both sites can be best utilised to meet the needs of the town.

In November 2011 the Council commissioned Gareth Hoskins Architects to produce Masterplans Addendums for both sites, with the first stage in this process being to publish draft proposals for public consultation. Following the public consultation these were amended taking into account feedback from the consultation process.

This document is the new Masterplan Addendum for the Pierhead and should be read in conjunction with the 2009 Masterplan Document which contains essential background information, site analysis, and reports on the stakeholder & community consultation carried out in 2009.





<b>1. Executive Summary</b>	<b>5</b>
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## 2. Introduction

In 2000/2002 a planning application for a Safeway store on the Pierhead attracted a large number of objections on issues including loss of public amenity, inappropriate development on the waterfront site, loss of parking, flooding, traffic impact and possible closure of existing shops. When the application went to public inquiry the reporter's findings made clear that these issues were not the basis for rejecting the application, and the application was rejected due to inappropriate scale, design and materials out of character with the town.

In his report the reporter recognised the importance of the site, the importance of high quality design and, given its current condition, the need for redevelopment:

*"Given its size, its waterfront location alongside and at the intersection of main roads in the centre of the town, its function, and its visual prominence, I find in visual terms that the pierhead is potentially the most important location in the whole of Helensburgh. The poor aesthetic appearance, lack of coordination of the existing buildings, vulnerability of the car park to flooding and overall low townscape quality combine to render the pierhead a suitable candidate for redevelopment. However I find it vitally important that any development proposals must recognise the aforementioned attributes, and the fact that they also produce constraints in terms of the quality of design and appearance, scale and layout of new buildings. Appropriate redevelopment has the potential to make a major contribution to the ambience of this vitally important part of Helensburgh."*

Further to the reporter's findings Argyll and Bute Council commissioned a Town Centre and Waterfront Study (Yellow Book 2004). In 2009 the findings of the Public Local Inquiry (PLI) into the Local Plan resulted in the approval of a revised Development Plan with the Pierhead designated as a town centre site. A masterplan for the Pierhead was completed by Turley Associates later in 2009 and was approved as non-statutory supplementary planning guidance.

This document is an addendum to the 2009 Pierhead Masterplan, the purpose of which is:

1. To put an emphasis on deliverability in the current economic climate
2. To take into consideration information from studies and consultations carried out since 2009

The 2009 Masterplan included a large number of residential units in line with assessed demand and anticipated sales value at that time. More recent studies by Graham and Sibbald (Dec 2009) and an updated Retail Study by Colliers (October 2011) have shown that whilst there has been a downturn in the residential market, the demand for retail in the town has remained strong with the capacity for food retail increasing by 44% since 2009. As part of this process to update the masterplan, Turley Associates carried out research into the requirements of key food retail operators in order to produce a realistic and robust basis for the masterplan informed by current market demand.

Since 2009 the following studies and projects have also been carried out:

1. Outline Business case for Swimming Pool and Leisure Facility 2009
2. Outline design (RIBA stage C) for the Swimming Pool and Leisure Facility 2010
3. Assessment of flood risk and sea defences 2008 & 2011
4. CHORD project town centre improvements (on site 2012/2013)
5. Town parking, park & ride & coach parking study (Dec 2011 / Feb 2012)

The proposals in this document have taken into consideration feedback from two community focus groups (Nov/Dec 2011), and a wider with the consultation process carried out Dec 2011 / Jan 2012.

It should be emphasised that this document should be read in conjunction with the 2009 Masterplan Document which contains essential background information, site analysis, and reports on stakeholder & community consultation. The 2009 Masterplan identified the Pierhead as the key development site in the town and the aspirations set out in the Masterplan for high quality design and placemaking remain key to the success of the development and regeneration of the town as a whole.

Turley Hoskins Architects, April 2012



**2.1 Key Principles of the approved Masterplan (2009)**

**The development on the Pierhead should be mixed use :**

- 3Rs Recreation, Residential and Retail
- public realm allowing access to the waterfront and Pier
- a single retail operator not considered appropriate at this time
- pierhead identified as preferred site for a replacement swimming pool

**Importance of Excellence in Design**

- very prominent, waterfront site at town centre
- key to regeneration and attracting tourism to the town

**Importance of Flexibility**

- to allow for changing demands and requirements

**Other recommendations of the approved Masterplan (2009)**

**Local Plan : Town Centre Designation**

- any development should be considered as an extension of the town centre

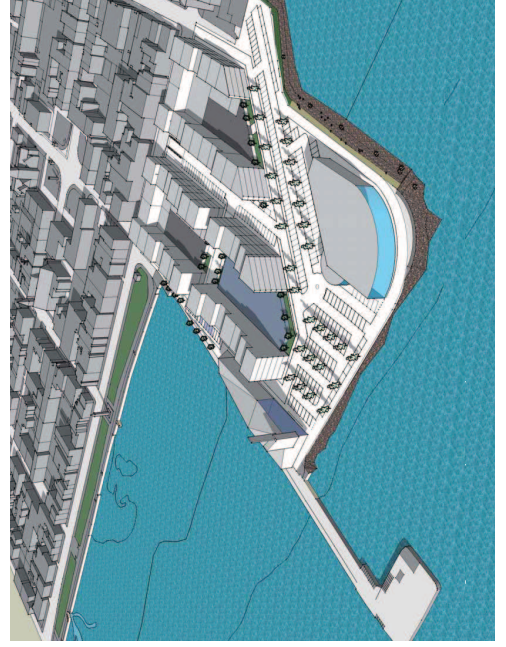
**Parking**

- parking provision should be made on the Pierhead for the proposed uses on the site
- general town parking, commuter parking and coach parking should be located elsewhere in the town.

**The 2009 masterplan proposed the following elements**

- A total of 7158m<sup>2</sup> ground floor retail space with the units sized between 250:450m<sup>2</sup> and one larger 1600m<sup>2</sup> unit for high quality food retail.
- High density housing with 138 apartments of 80:100m<sup>2</sup>.
- Car parking for the uses on the site surface parking (26 spaces), undercroft parking (15 spaces) and underground parking (480 spaces)
- A replacement swimming pool
- A boutique hotel

Birds eye view of 2009 Masterplan





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### 3. Update on Current Situation (May 2012)

#### 3.1 Current Site Uses

Little has changed on the Pierhead since 2009 with the majority site occupied by an expanse of surface car and coach parking alongside the swimming pool, skate park and amusement park. The former public house in the north east corner has been burnt down and the site sold. The Amusement Park is leased on an annual basis. With recent storm damage to the pool building and further deterioration of the hard landscaping the need for development and upgrading of the site as a whole is clear.

*NB Although the former Mariners public house site (outlined in yellow) is not currently within Council ownership it is considered part of the Pierhead and is included in the overall masterplan. Consideration has been given to how the Pierhead could be developed excluding this relatively small site.*

#### 3.2 Condition of Existing Pool Building

In 2008 a number of specialist surveys were carried out which identified significant problems with the existing building including degradation of major structural elements and air handling plant, and as a result the building was judged to all purposes life expired.

Essential repairs were carried out in 2010 to allow the building to remain operational for an estimated 4 years, with the aim of providing a new, replacement building within this extended lifespan.

#### 3.3 Flood Risk Assessment

Preliminary ground investigations were carried out in 2010 and flood risk assessments carried out in 2008 and 2011. Following the recommendation of these reports the following work has been recommended as necessary to alleviate flood risk:

- raising the whole site by an average of approximately 1.5m to be level with West Clyde Street
- replacing failed Reno matting on east side of the site with rock armour

3.1 Current site uses



3.2 Existing pool building from the east



3.2 Existing pool building from the West Clyde Street



3.3 Pierhead during storm



3.4 CHORD project Esplanade



3.4 Helensburgh CHORD Project

Improvements to the Esplanade and the town centre are to be implemented in 2012 and include re-landscaping Coluhoun Square (Design subject to referendum result) and improving the connection between the square and the waterfront.

Repair of the existing public toilets at the start of the pier is to be included in the CHORD project to allow them to remain in use. The toilet building blocks the start of the pier and is unsightly, so it is assumed that it would be removed as part of the wider Pierhead site development and public toilets provided elsewhere on the site.

3.5 Outline Business Case, Site Selection and Design of new swimming pool & leisure building to RIBA stage C

An Outline Business Case carried out in 2008 identified the Pierhead as the preferred location for a replacement pool/leisure building. The report also identified a preferred option to accommodate a wider range of facilities in the building to create a community hub.

In 2010 it was determined that the design should be developed to improve the certainty of the assumptions regarding the project and to facilitate the next stage of procurement, whether taken forward as a traditionally funded project led by the Council or as a joint venture developer led project as part of a wider pier development. Gareth Hoskins Architects were commissioned to carry out an outline design for the building to RIBA stage C. The distinctive design proposes a landmark building on the southern edge of the site taking advantage of the waterfront location. Placing the building on this location allowed the remainder of the site adjacent to the town centre to be considered for other development. The main implications of the stage C for the masterplanning of the Pierhead site as a whole are as follows:

- the footprint of the new leisure building is significantly larger than shown in the 2009 masterplan
- given the town centre location the number of designated parking spaces for the leisure pool building was reduced from 150 to 100 spaces

3.5 Outline design for new pool & leisure building



3.5 Outline design for new pool & leisure building





### 3. Update on Current Situation

#### 3.6 Retail Study Update

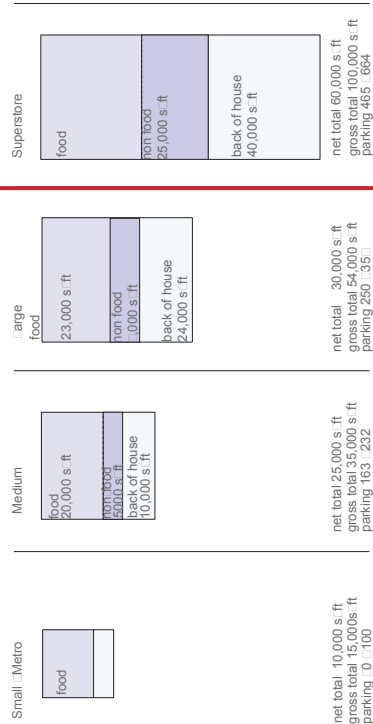
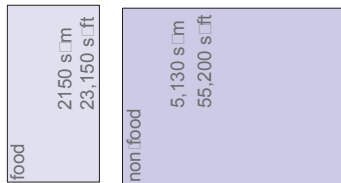
The key findings of the Colliers 2011 study relevant to the masterplanning of the Pierhead are as follows:

- there is capacity in the town for an area of 2,150 sqm (23,150 sqft) net of new convenience retail space
- there is capacity in the town for an area of 5,130 sqm net (55,200 sqft) of new comparison retail space
- opportunities for modern retail space in the town centre are limited and the Pierhead remains the major development site
- currently there is 50% leakage to surrounding towns for convenience shopping
- currently there is 6% leakage to surrounding towns for comparison shopping

The retail study identified capacity in the town for a significant areas of both food and non food retail space. A undertook further research into market demand with the following findings:

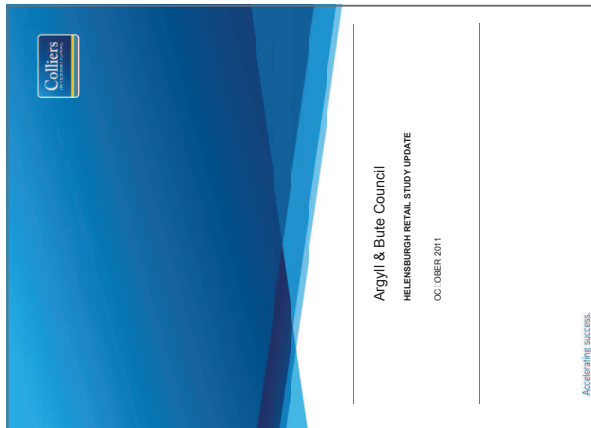
- all of the major supermarket operators approached were interested in investing in the town
- although the Pierhead site presented challenges not found on an out of town site, most of the operators felt the site could meet their needs and be successfully be developed for food retail
- there was interest from operators in both medium and large foodstores
- operators recognised the need to take into consideration the design of the site as a whole and the need for integration with other uses on the site.
- the inclusion of food retail in the development had the potential to maximise revenue and increase economic viability

#### capacity identified by the retail study



within capacity

exceeds capacity





### 3.8 Public Consultation Process and Response

#### Masterplan Consultation Proposals

The proposals which formed the basis of the public consultation included the following:

#### 1. Mixed use development including food retail of 54,000sqft, other retail of 1100m<sup>2</sup>, and 16 housing units.

The development presents an active frontage onto West Clyde Street and aims to reflect the scale of the urban fabric of the existing town centre.

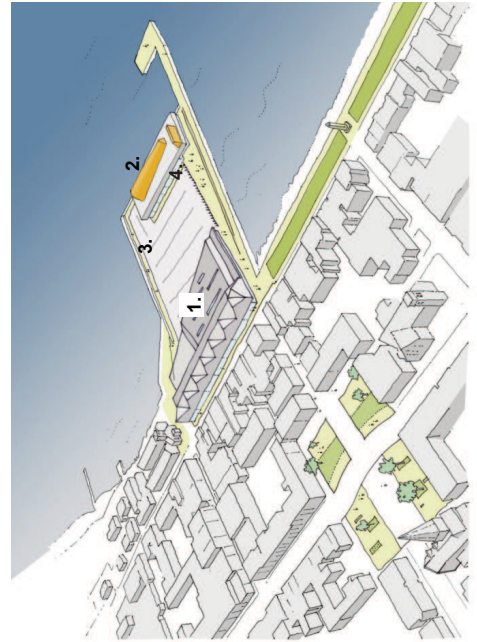
#### 2. Pool and Leisure building

Landmark building acting as a focus and destination, distinct from the background urban fabric of the town

#### 3. Parking for the food retail and pool/leisure building

#### 4. Public realm.

Public space in front of the new pool building, with a public route continuing around the pierhead.



#### Masterplan Consultation Proposals

The proposals presented for public consultation were developed on the following principles:

- economic viability maximised by the inclusion of a large supermarket
- mixed use development and including, housing, public realm and public recreation (housing numbers reduced significantly from 2009 masterplan taking into consideration economic climate)
- parking should be provided for the proposed uses on the site with general town parking, commuter parking and coach parking located elsewhere in the town.

#### Public Consultation Process

The masterplanning process included a period of public consultation Dec 2011-Jan 2012, with a range of events, meetings and advertisements to inform people of the proposals and invite feedback.

- The consultation was advertised in the Helensburgh Advertiser, the local community newsletter and on the Council's web site.
  - Paper copies of the Masterplans were deposited in Scotcourt House and the Helensburgh, Rosneath and Cardross libraries.
  - A copy of the Masterplans and online survey were placed on the Council's web site.
  - Two open days that were held in the Victoria Halls, Helensburgh with an exhibition and questionnaire survey. During the open days presentations were also given to specific interest groups (i.e. business community, community groups, users of the existing pool, young people etc.).
  - Hexagon Consultants conducted face to face interviews with 3-11 local people from a wide age profile.
- A total of approximately 1200 responses were received.

#### Response from Public Consultation

A full report on the consultation responses can be found on the Council website with the main points as follows:

#### Pool / Leisure Building

The majority of people felt it was important that the new pool/leisure facility be located on the Pierhead and that a new recreational building would provide a focus and destination for both residents and visitors. If possible the new pool should be built whilst the existing pool remains in operation.

#### Large Supermarket

- The majority of people (55%) did not feel it would be appropriate to locate a large supermarket (54,000 sq.ft) on the Pierhead for the following reasons:
  - detrimental visual impact
  - loss of public recreational space
  - loss of public parking
  - loss of coach drop off on waterfront
  - increased congestion

The need for a large supermarket and additional petrol filling station in the town was evident, reflecting the findings of the retail study, but people considered the alternative proposals on the edge of town offered a preferable solution

#### Residential

- The majority of people (55%) did not think residential development appropriate on the Pierhead for the following reasons:
  - 3/4 stores along West Clyde Street restricted open views across the waterfront
  - parking issues
  - housing did not fit comfortably above large retail unit

#### Public Realm, parking and coach drop off

- concern that the town centre would suffer from loss of convenient parking
- it was felt coach drop off should be central to waterfront and the town centre with the Pierhead the preferred location
- concern about loss of public realm and open views across waterfront



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## 4. Proposals

### 4.1 Key Elements and Principles of the Masterplan

The proposals were developed taking into consideration the response from the public consultation, whilst keeping an emphasis on deliverability and market demand.

The proposals include the following elements:

#### Retail

Retail units forming an active frontage to West Clyde Street and the new public space with units relating in scale to the fabric of the town. Careful consideration should be given to the treatment of the back of house and the appearance from the car park and approach to the town from the east (and from the water)

#### New Pool and Leisure Building

A new landmark building on this highly visible site, acting as a community hub, attracting visitors and playing a role in the regeneration of the town centre. The facilities would include the wider community facilities identified in the 2009 Outline Business Case and developed in more detail in the stage C Design 2010.

#### Car parking

Car parking for the pool/leisure building and for general public use with a strong connection to the town centre and convenient to the waterfront. The viability of underground/undercroft carparking was researched, but proved prohibitively expensive.

#### Coach drop off and parking

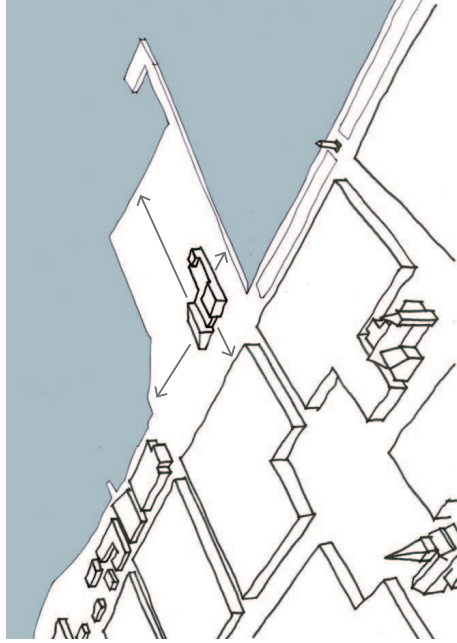
Coach drop off at the new public space on West Clyde Street, with parking provision on the pier.

#### Public Realm and open views

New high quality public outdoor space with a walkway continuous around the site. Open views across the waterfront maintained.

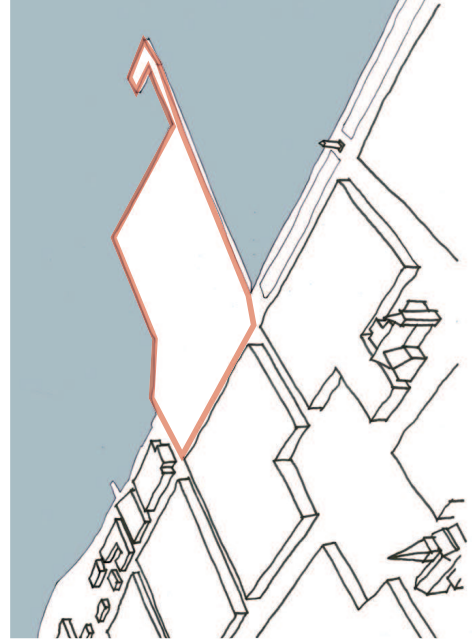
#### Flood Risk

The proposals allow for raising the entire site by approximately 1.5m and strengthening rock armour on the eastern site as recommended in the flood risk analysis.



EIS

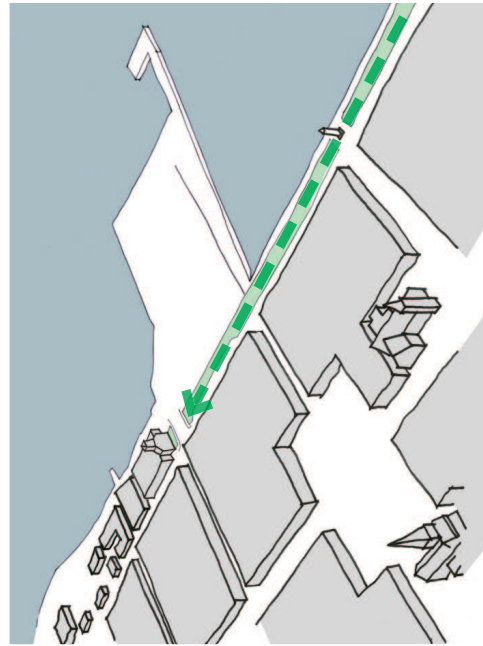
- current swimming pool on Pierhead in poor condition and nearing the end of its lifespan
- poor relationship to street, water and pier
- surrounded by underexploited and poor quality urban space



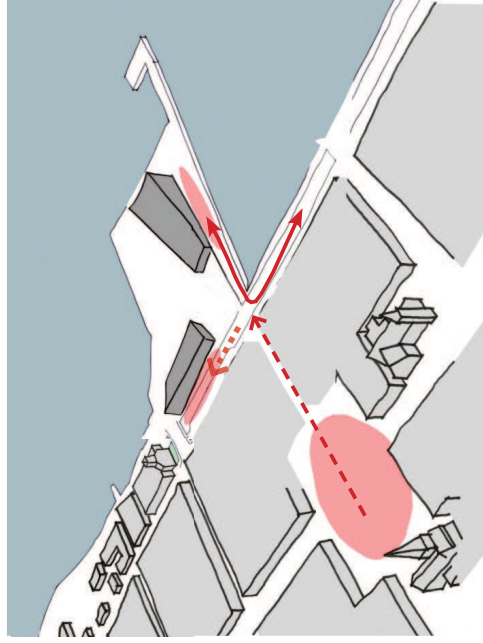
- extent of cleared site

NB Although the former Mariners public house site is not currently within Council ownership it is considered part of the Pierhead and is included in the overall masterplan. Consideration has been given to how the Pierhead could be developed excluding this relatively small site.

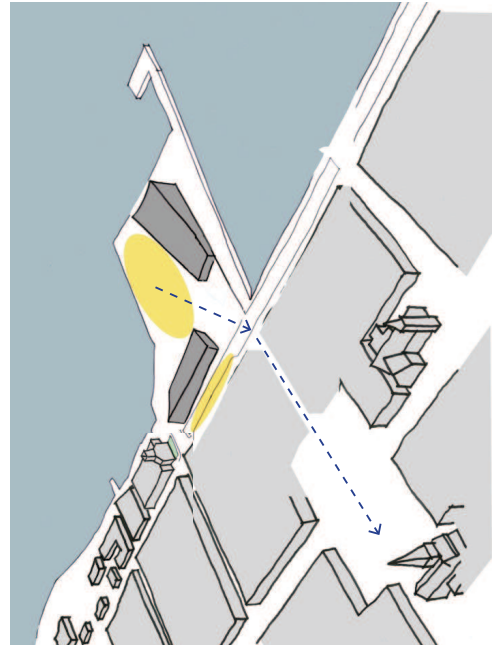
Principals of the Masterplan : key concepts informing the proposals



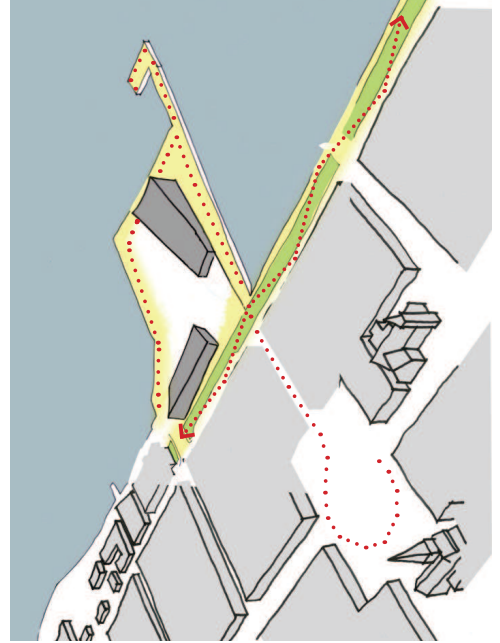
- 1**
- extend length of esplanade eastwards, ending with tower of the tourist information
  - CHORD development extended and concluded
  - new open public space along sea front maintaining views



- 2**
- esplanade continued along pier to form a new public space in front of the new pool/leisure building
  - axis from Colquhoun Square reinforced with clear sightlines down Colquhoun Street to the sea maintained
  - retail cafes opening onto the new public space along West Clyde Street



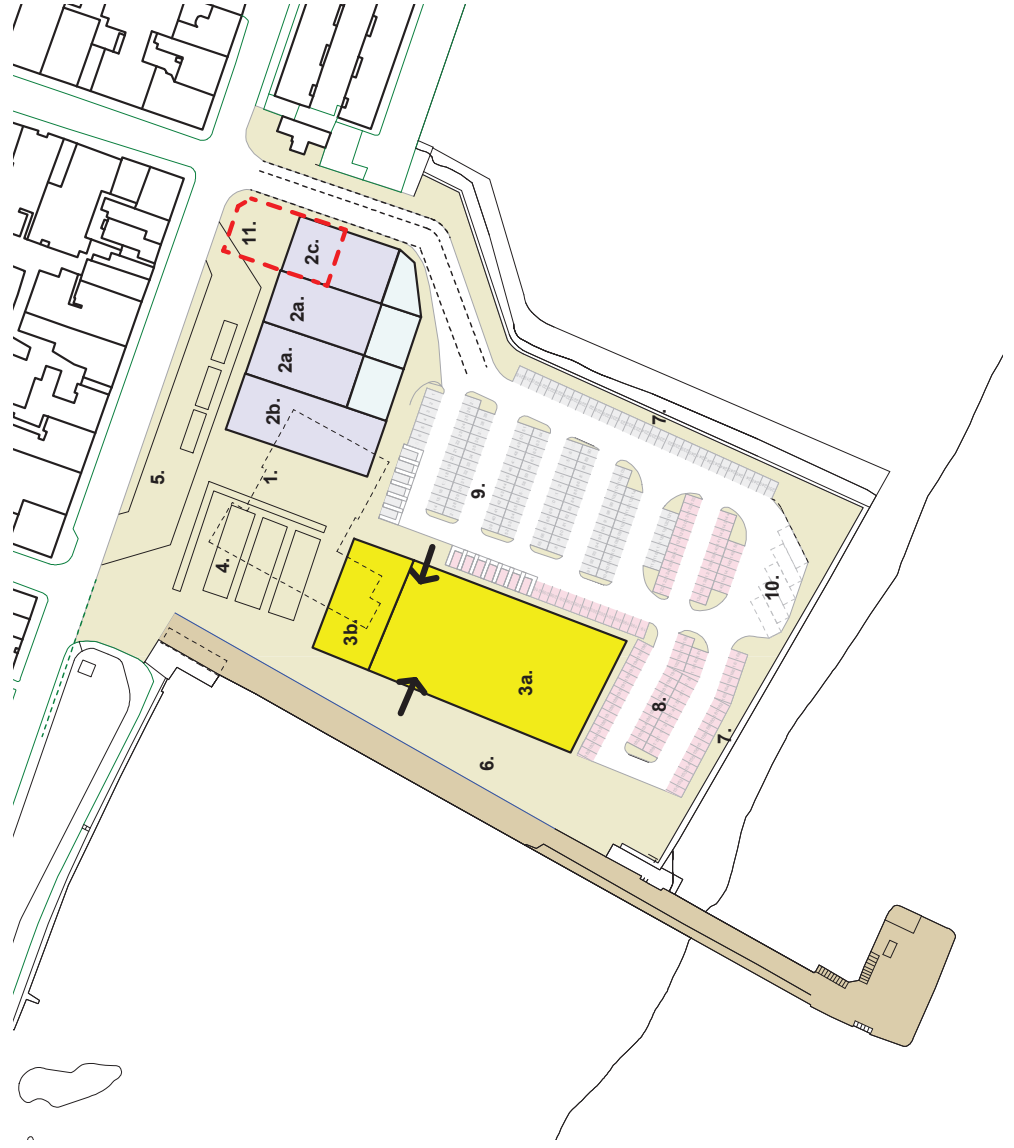
- 3**
- car parking screened by the new buildings, but a good connection with the town centre is maintained
  - coach and taxi drop off at the public space on West Clyde Street convenient for visitors both to the town centre and the waterfront



- 4**
- Public access to the Pierhead and waterfront maintained with a public walkway around the site
  - new public spaces formed by the new buildings and connecting with the esplanade

4. Proposals

4.2 Masterplan proposal



- 1. Foot print of existing pool
- 2a. Retail units (1325m2 gross)
- 2b. Additional retail once existing pool demolished (120m2 gross)
- 2c. Additional retail unit if Mariners site developed (620m2 gross)
- 3a. Pool and Leisure building 2250m2 footprint (as stage c report)
- 3b. Possible extension to pool building 600m2
- 4. Landscaping, skate park, play park
- 5. Coach and taxi drop off
- 6. Public space in front of pool building.
- Public walkway round site
- 8. Parking for pool 100 spaces (shaded pink)
- 9. General public parking (shaded grey) 165 spaces
- 10. Coach parking (short mid term)
- 11. Mariners site (dotted red)

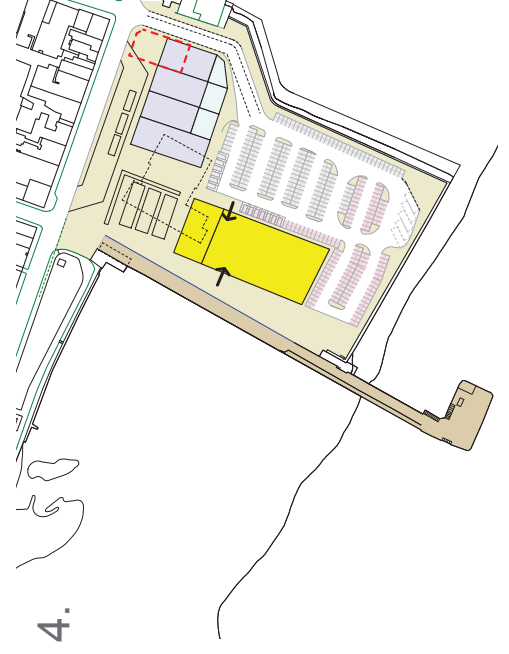


**4.3 Phasing**

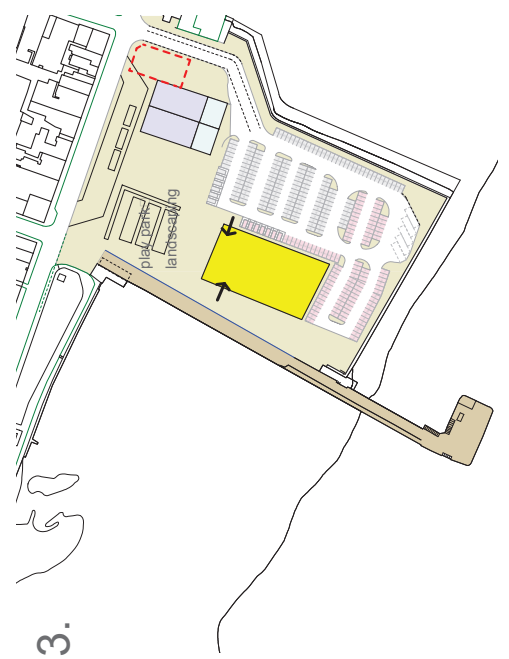
1. Site as existing



2.  new pool and leisure building built.  
 Initial phase of new retail built.  
 Flood alleviation & defences (raising of site and repair to rock armour on eastern side) .



3. Existing Pool demolished.  
 new landscaping  skate  play park  
 Completion of flood alleviation (raising site)



4. Possible extension of pool  leisure building  
 Possible extension to retail building utilising previous pool site  
 Possible extension of retail utilising mariners site.

# 4. Proposals

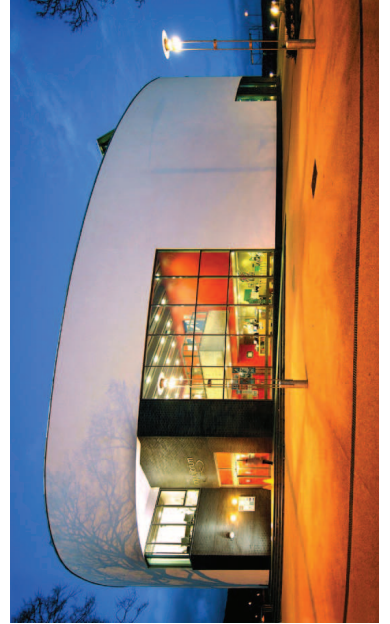
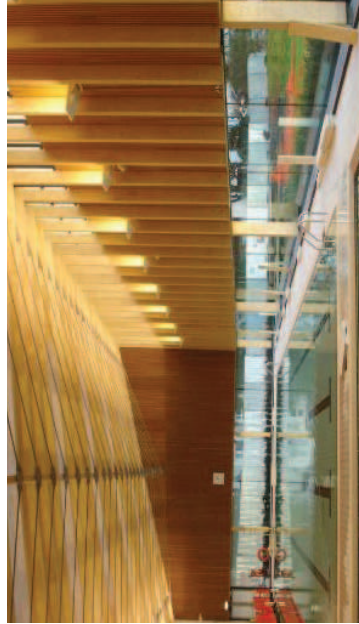
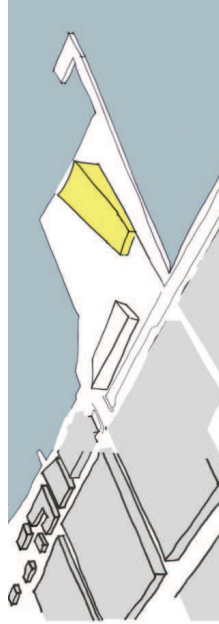
## 4.4 Example and Precedents

The following photographs showing examples and precedents of how the different elements proposed in the masterplan development could be realised

- Landmark Building
- Public Space
- Car parking
- Appropriate retail / cafes
- Integrated building / public realm

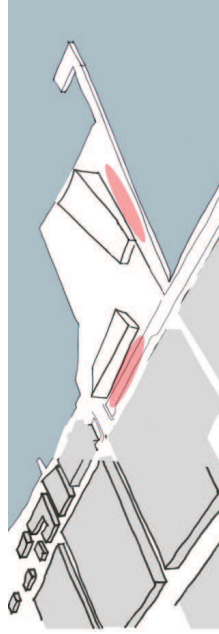
### Landmark Building

Key landmark building on waterfront acting as focus and destination, distinct from background urban fabric of the town



### Public Space

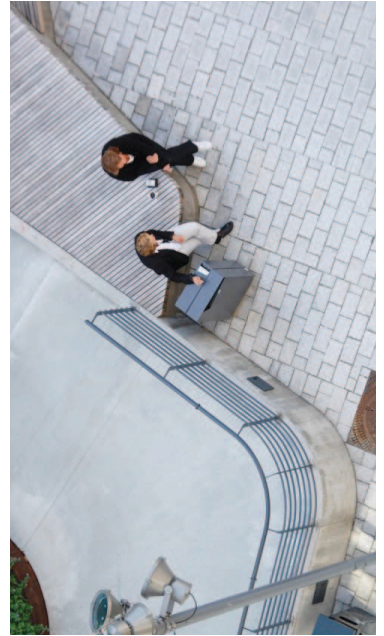
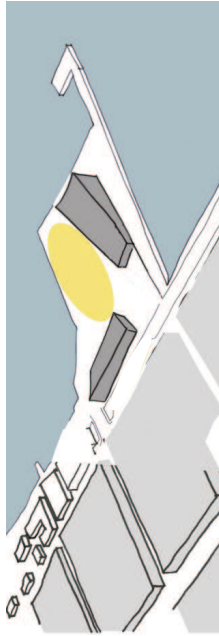
High quality landscaping to public realm, appropriate to waterfront setting





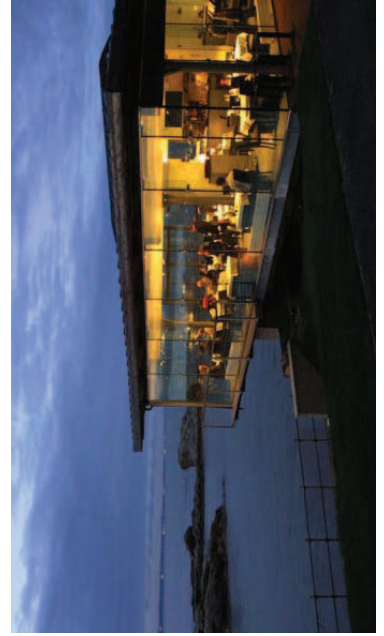
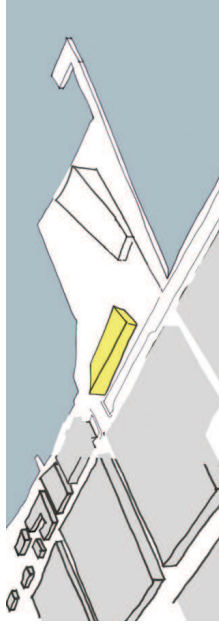
**Car Park**

High quality car park in terms of paving, street lighting, markings etc screened by low walls and/or planting appropriate to location. Separate and distinct from public space along pier



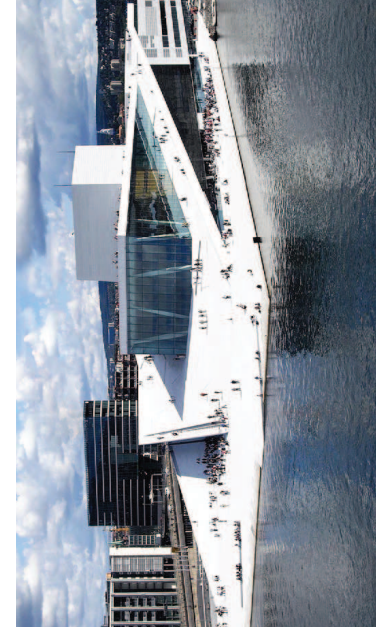
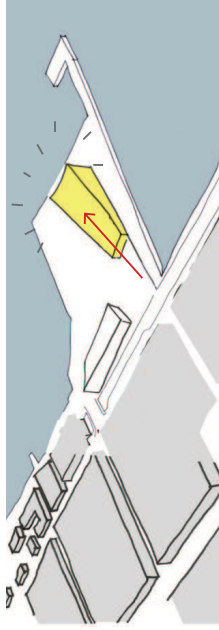
**Appropriate retail**

Retail development appropriate to waterfront setting and making the most of the location. Bringing street life and attracting visitors



**Possible integration of landscape and built form**

Utilising uniqueness of the waterfront location with the possibility the roof of the buildings become part of the public realm creating a unique attraction

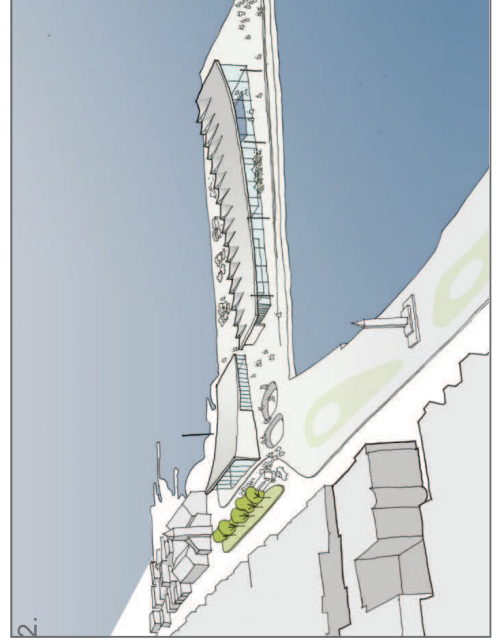
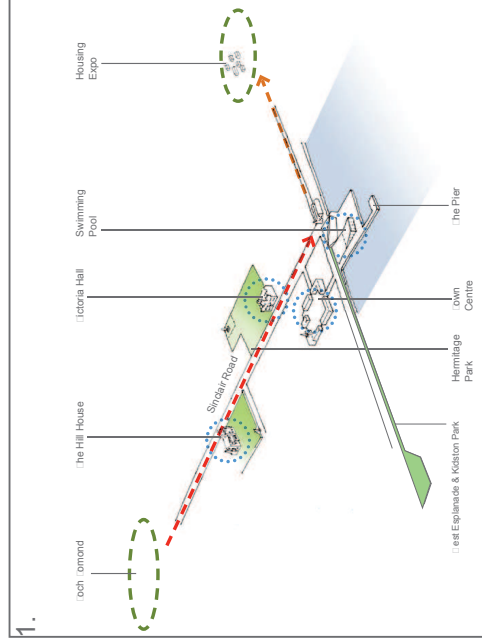


## 4. Proposals

### 4.5 Strategic vision for regeneration of the town as a whole

The redevelopment of the Pierhead should be considered within the context of a number of wider strategic improvements key to the regeneration of the town as a whole.

1. The core elements centre around the development of the central spine of Sinclair Street to create a draw pulls visitors from Hill House down towards Helensburgh's major asset, its waterfront.
2. A transformed pierhead would become a destination in its own right completing the enhancements to the town centre.
3. The west esplanade, redeveloped as part of the CHORD project, stretching out towards the new facilities at Kidston Park.
4. The former Academy site is proposed to be redeveloped as a residential neighbourhood and will include a mix of social and mainstream housing.





#### 4.6 Summary of proposals and aspirations

##### 1. Landmark pool and leisure building

A new pool and leisure facility acting as a focus for the community and a destination attracting visitors to the town.

##### 2. Retail / Cafe

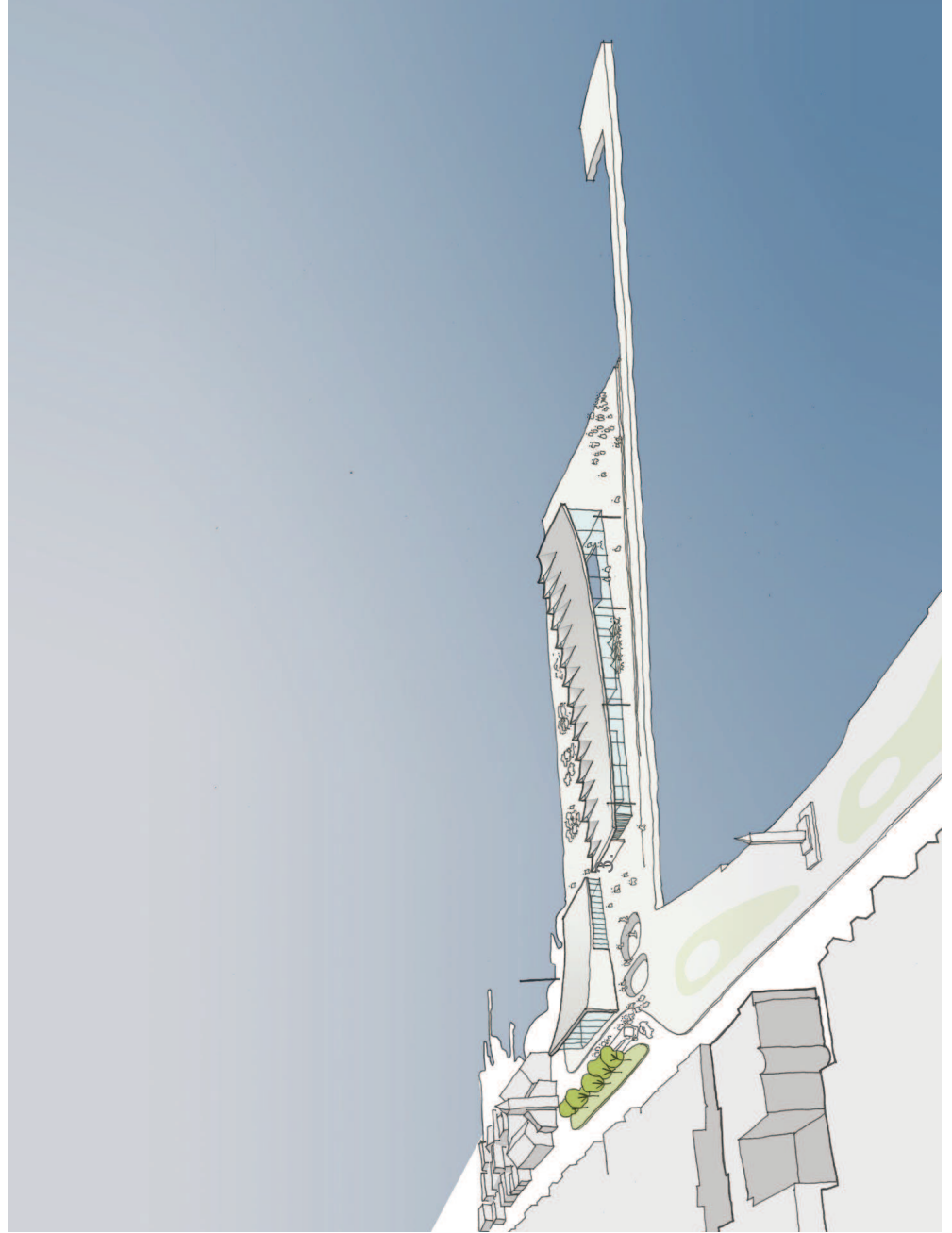
Development appropriate to the waterfront location, providing an active frontage onto the new public space on West Clyde Street, bringing vitality to the waterfront and contributing to economic viability

##### 3. Public Realm

- High quality landscaped outdoor amenity space.
- Access to the pier and waterfront walkway around the site
- Reconfigured skate/play park and landscaping
- Open aspects and views enhanced

##### 4. Parking and taxi / coach drop off

- Coach and taxi drop off in the new public space on West Clyde Street convenient to both the waterfront and the town centre.
- General public carparking screened by buildings, but convenient to both the waterfront and the town centre
- Flexibility of using parking area for larger public events



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