

**Argyll and Bute Council**  
Comhairle Earra Ghaidheal agus Bhoid

Customer Services  
Executive Director: Douglas Hendry



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20 November 2014

## NOTICE OF MEETING

A meeting of **ARGYLL AND BUTE COUNCIL** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 27 NOVEMBER 2014** at **2:00 PM**, which you are requested to attend.

Douglas Hendry  
Director of Customer Services

## BUSINESS

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTERESTS (IF ANY)**
3. **OBAN NORTH AND LORN BY-ELECTION**  
Report by Returning Officer (Pages 1 - 2)
4. **NHS HIGHLAND DIRECTOR OF PUBLIC HEALTH ANNUAL REPORT 2014**  
Presentation by Elaine Garman, Public Health Specialist NHS Highland
5. **MINUTES**  
Argyll and Bute Council 25 September 2014 (Pages 3 - 16)
6. **MINUTES OF COMMITTEES**

- \* (a) Policy and Resources Committee held on 30 October 2014 (Pages 17 - 26)  
(b) Environment, Development and Infrastructure Committee held on 13 November 2014 (Pages 27 - 30)

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

7. **LEADER'S REPORT**  
Report by Leader of the Council (Pages 31 - 48)

**8. POLICY LEAD COUNCILLORS' REPORTS**

- (a) Report by Policy Lead Councillor for Adult Care (Pages 49 - 52)
- (b) Report by Policy Lead Councillor for Children and Families (Pages 53 - 56)
- (c) Report by Policy Lead Councillor for Education, Lifelong Learning and Strategic IT Services (Pages 57 - 64)

**9. CHIEF SOCIAL WORK OFFICE REPORT 2013/14**

Report by Executive Director – Community Services (Pages 65 - 120)

**10. STRATEGIC HOUSING INVESTMENT PLAN 2015 - 2020**

Report by Executive Director – Community Services (Pages 121 - 132)

**11. COMPOSITION OF THE COUNCIL**

Report by Executive Director – Customer Services (Pages 133 - 136)

**12. VACANCIES ON COMMITTEES AND OUTSIDE BODIES**

Report by Executive Director – Customer Services (Pages 137 - 140)

**13. PROGRAMME OF MEETINGS 2015/16**

Report by Executive Director – Customer Services (to follow)

**14. COSTS AND SAVINGS FROM EARLY DEPARTURES FROM COUNCIL EMPLOYMENT 2013/14**

Report by Executive Director – Customer Services (Pages 141 - 144)

**15. AUDITED ACCOUNTS 2013-14**

Report by Head of Strategic Finance (Pages 145 - 274)

**16. EXTERNAL AUDIT ANNUAL REPORT 2013-14**

Report by Audit Scotland (Pages 275 - 320)

**17. FLAG FLYING POLICY**

Recommendation from Bute and Cowal Area Committee held on 7 October 2014 (Pages 321 - 322)

**18. AUDIT COMMITTEE ANNUAL REPORT 2013-14**

Report by Chair of Audit Committee (Pages 323 - 328)

**E1 19. CAMPBELTOWN CHORD BERTHING FACILITY**

Recommendation from Mid Argyll, Kintyre and the Islands Area Committee held on 5 November 2014 and Report by Executive Director – Development and Infrastructure Services (Pages 329 - 338)

The Committee 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 8** The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.

**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.

## **COUNCIL**

### **ALL MEMBERS**

Contact: Hazel MacInnes Tel: 01546 604269

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**ARGYLL AND BUTE COUNCIL  
ELECTION OF COUNCILLOR  
WARD 5 - OBAN NORTH AND LORN  
23 OCTOBER 2014**

The name and address of the person who has been elected as a Councillor in Ward 5 – Oban North and Lorn at the by-election held on 23 October 2014 is as follows:-

<b>ELECTORAL WARD</b>	<b>NAME</b>	<b>ADDRESS</b>	<b>DESCRIPTION</b>
Oban North and Lorn	Iain Stewart MacLean	Flat 4, Falls View Apartments, North Connel, Oban PA37 1QX	SNP

**Sally Loudon**  
**Returning Officer**  
23 October 2014

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**MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held in the COUNCIL CHAMBER,  
KILMORY, LOCHGILPHEAD  
on THURSDAY, 25 SEPTEMBER 2014**

**Present:** Councillor Len Scoullar (Provost)

Councillor Gordon Blair	Councillor Donald MacMillan
Councillor Michael Breslin	Councillor Alex McNaughton
Councillor Rory Colville	Councillor James McQueen
Councillor Maurice Corry	Councillor Bruce Marshall
Councillor Robin Currie	Councillor Aileen Morton
Councillor Vivien Dance	Councillor Ellen Morton
Councillor George Freeman	Councillor Gary Mulvaney
Councillor Anne Horn	Councillor Douglas Philand
Councillor Donald Kelly	Councillor Elaine Robertson
Councillor David Kinniburgh	Councillor James Robb
Councillor John McAlpine	Councillor Sandy Taylor
Councillor Roderick McCuish	Councillor Richard Trail
Councillor Alistair MacDougall	Councillor Dick Walsh
Councillor Robert G MacIntyre	

**Attending:** Sally Loudon, Chief Executive  
Douglas Hendry, Executive Director – Customer Services  
Pippa Milne, Executive Director – Development and Infrastructure Services  
Charles Reppke, Head of Governance and Law  
Bruce West, Head of Strategic Finance  
Fergus Murray, Head of Economic Development  
Jane Fowler, Head of Improvement and HR  
Lynn Finlay, HR Manager  
Bill Brackenridge, Independent Chair of the Argyll and Bute Adult Protection Committee

The Provost referred to the World War One Commemoration Ceremony held in Oban on 20 September 2014 and passed on the Lord Lieutenant's thanks to all the organisers, officers and Councillors involved in the arrangements and taking part. He advised that the event was extremely well done and successful.

The Provost congratulated Inveraray and District Pipe Band who won the Grade One European Title at Forres on Saturday 28 June 2014 band. This was the first time an Argyll Pipe Band had won a Grade One event.

The Provost also drew Members' attention to a book "One Island, Many Voices" about archaeology on Bute and also reported on the receipt of a gift from the Commonwealth Games Association of Cyprus which had been presented to Councillor Currie.

The Provost then referred to the "Welcoming our Armed Forces to Argyll and Bute" brochure which had been circulated to Members and invited Councillor Corry to provide further information on this. Councillor Corry explained that this

brochure launched today demonstrated the Council's support to the Armed Forces and veterans and provided a source of information on what services and resources were available across Argyll and Bute. He confirmed that the MOD was meeting 50% of the costs of printing the brochure which would be distributed widely across Argyll and Bute. Councillor Corry expressed his thanks to the Council staff that had helped with the production of this brochure.

The Provost advised that there would be an urgent item tabled on Campbeltown Common Good Fund which he had accepted by reason of the need to determine time pressured applications to the Common Good Fund.

The Provost advised of a question to the Leader of the Council submitted under Standing Order 15 which would be dealt with after the ordinary public business on the agenda.

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Mary-Jean Devon, Iain Angus MacDonald, Duncan MacIntyre, Robert E Macintyre, Isobel Strong.

**2. DECLARATIONS OF INTERESTS**

Councillor Rory Colville declared a non financial interest in respect of the report on the Re-organisation of Trusts as he was Chair of the Kintyre Forum on Community Care. He left the room and took no part in the consideration of this report which was dealt with at item 11 of this Minute.

**3. MINUTES**

The Minutes of the meeting of Argyll and Bute Council held on 26 June 2014 were approved as a correct record.

**4. MINUTES OF COMMITTEES**

**(a) ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE HELD ON 14 AUGUST 2014**

The Minutes of the meeting of the Environment, Development and Infrastructure Committee held on 14 August 2014 were noted.

**(b) POLICY AND RESOURCES COMMITTEE HELD ON 21 AUGUST 2014**

The Minutes of the meeting of the Policy and Resources Committee held on 21 August 2014 were noted.

Arising from item 19; the Council –

1. Agreed the draft Policy.
2. Endorsed the proposal for reviewing Traffic Regulation Orders by Area Committees.
3. Noted that officers would work with the relevant Policy Leads to improve information available for coach and LGV drivers.

Arising from item 20; the Council –



1. Noted and endorsed the report.
2. Approved the draft Green and Woodland Burials Policy.
3. Noted that community groups and private land owners can seek to work with the Council in respect of the provision of privately owned land for burials, if so minded.

Arising from item 21; the Council

1. Endorsed the proposal to extend the WSLF delivery area to include all of Argyll and Bute, if uptake in Helensburgh and Lomond remains below target.
2. Agreed to support the development of a new Scotland wide loan fund which could incorporate WSLF after April 2015.

Arising from item 26; the Council agreed the recommendations as contained within the report by the Executive Director of Development and Infrastructure Services.

**(c) COMMUNITY SERVICES COMMITTEE HELD ON 11 SEPTEMBER 2014**

The Minutes of the meeting of the Community Services Committee held on 11 September 2014 were noted.

**5. LEADER'S REPORT**

The Council considered the Leader's report which outlined key activities undertaken within the role of Council Leader since 2nd June, through participation in meetings, as follow; A83 Rest and be Thankful Taskforce, Chief Officer – Senior Officer (COSO), Programme Board, Accounts Commission, Fraser Durie (Argyll College), COSLA Convention, Michael Russell MSP, HIEP Board, COSLA Leaders, ABRA, EJCC, and a visit from a delegation from Amberg Sulzbach.

The Report also provided an update to Members in relation to Policy Lead activities on Strategic Finance, and Customer and Support Services including; Council Tax, Scottish Welfare Fund, Discretionary Housing Payments, Local Support Services Framework Trial, Empty Homes Policy, Joint Working with Highland Council, IT Service Contract with ACHA, Information Management, Public Services Network, Customer Service Centre, Digital Agenda and Admin Review.

**Decision**

The Council noted the report and that additional documents were available in a Leaders Report Pack through the Leadership Support Officer.

(Reference: Report by Leader of the Council dated September 2014, submitted)

**6. POLICY LEAD COUNCILLORS' REPORTS**

**(a) REPORT BY DEPUTE LEADER OF THE COUNCIL AND POLICY LEAD COUNCILLOR FOR ROADS AND AMENITY SERVICES, INFRASTRUCTURE, ASSET MANAGEMENT AND STRATEGIC PROJECTS**

The Council considered a report by the Depute Leader of the Council and Policy Lead Councillor for Roads and Amenity Services, Infrastructure, Asset Management and Strategic Projects, Councillor Ellen Morton; which outlined her activity in these roles to date.

**Decision**

The Council noted the content of the report.

(Reference: Report by Depute Leader of the Council and Policy Lead Councillor for Roads and Amenity Services, Infrastructure, Asset Management and Strategic Projects dated 17 September 2014, submitted)

**(b) REPORT BY POLICY LEAD COUNCILLOR FOR ISLAND AFFAIRS**

The Council considered a report by the Policy Lead Councillor for Island Affairs, Councillor Len Scoullar; which provided an update on the work in relation to islands over the 2014 period.

There was also tabled, for information, a letter from NHS Highland regarding the out of hours GP service on Mull and a briefing note on the status and action planned in relation to the out of hours service.

**Decision**

The Council noted the content of the report.

(Reference: Report by Policy Lead Councillor for Island Affairs dated 8 September 2014, submitted)

**7. ADULT PROTECTION COMMITTEE BIENNIAL REPORT TO THE SCOTTISH GOVERNMENT**

Bill Brackenridge, Chair of the Adult Protection Committee presented the Argyll and Bute Adult Protection Committee Biennial Report April 2012 to March 2014. The biennial report covered all aspects of adult support and protection activity between April 2012 and March 2014; outlining the key developments that had taken place over the two year period and highlighting the key challenges facing the Committee.

**Decision**

The Council noted the developments that had taken place over the 2 year period and the challenges that lay ahead for the Argyll and Bute Adult Protection Committee.

(Reference: Report by Bill Brackenridge, Chair of Argyll and Bute Adult

Protection Committee dated 2 September 2014, submitted)

**8. STRATEGIC RISK REGISTER - 6 MONTHLY REVIEW**

The Council considered a report which reviewed the recently agreed Strategic Risk Register as per the agreed 6 monthly reporting cycle. The report provided Members with assurance that the strategic risk register continues to be actively monitored.

**Decision**

The Council noted the content of the report.

(Reference: Report by Head of Strategic Finance dated September 2014, submitted)

**9. AUDIT OF FINANCIAL STATEMENTS - ISA260 REPORT**

The Council considered the ISA260 report prepared by external auditors as part of the audit of the Council's financial statements. The report set out key issues emerging from the audit in relation to the proposed audit opinion, key adjustments to the financial statements arising from the audit process and any unadjusted errors that are not material. Consideration was also given to a separate ISA260 report in relation to the audit of the Council's charities.

**Decision**

The Council noted the contents of the reports.

(Reference: Report by Head of Strategic Finance and ISA260 reports dated September 2014, submitted)

**10. ACCOUNTS COMMISSION - FOLLOW UP REPORT**

The Council considered a report that confirmed the findings of the Accounts Commission in respect of the follow up audit report undertaken by Audit Scotland in April/May 2014. Members were invited to comment on and agree to an updated action plan.

**Decision**

The Council –

1. Noted the findings of the Accounts Commission in relation to the follow up Audit Report of Best Value and Community Planning.
2. Agreed the additional action points 34-43 of the revised action plan which were added in response to the follow up report.

(Reference: Report by Executive Director – Customer Services dated 3 September 2014, submitted)

**11. COMPOSITION OF THE COUNCIL - UPDATE**

The Executive Director – Customer Services tabled a report which advised of Councillors who now constitute the administration of the

Council following a number of changes to the political composition of the Council.

### **Decision**

The Council noted the terms of the report.

(Reference: Report by Executive Director of Customer Services dated 25 September 2014, tabled)

### **12. VACANCIES ON COMMITTEES AND OTHER BODIES**

The Council considered a report inviting nominations to be made to a number of vacancies which existed on Committees and Outside Bodies.

An amended report was tabled at the meeting which replaced that previously issued with the agenda for the meeting.

### **Motion**

With reference to the membership of, and vacancies on Council Committees and outside bodies, I move as follows:-

- Note that a new position of Policy Lead for Gaelic be created and be filled by Councillor Alastair MacDougall
- Note that the Depute Policy Lead for Gaelic be Councillor Robin Currie
- Note that there will no longer be a Policy Lead for Improvement, HR, Customer and Support and Facility Services with the Council Leader assuming responsibility for the Improvement, HR, Customer Support and Facility Services remit
- Note that Councillor Len Scoullar will no longer be the Depute Policy Lead for Education and Lifelong Learning and that Councillor Rory Colville is appointed to this position
- Note that Councillor Alistair MacDougall will be the Depute Policy Lead for Community and Culture; and Strategic Housing
- Agree that Councillor Alastair MacDougall will no longer be Chair of Oban, Lorn and the Isles Area Committee and that Councillor Roddy McCuish be appointed to this position
- Agree that Councillor Bruce Marshall will no longer be the Vice Chair for the Bute and Cowal Area Committee and that Councillor Alex McNaughton be appointed to fill the resultant vacancy
- Agree that Councillor Bruce Marshall will no longer be a member of the Policy and Resources Committee, and that Councillor Alastair MacDougall be appointed to fill the resultant vacancy
- Agree to fill the two vacancies on the Community Services Committee with Councillors Alastair MacDougall and Neil MacIntyre
- Agree the one vacancy on Environmental, Development and Infrastructure be filled with the new Member Elected following the Oban North By Election
- Agree the one vacancy on the PPSL Committee be filled by Councillor Neil MacIntyre
- Agree the arrangement for SOILLSE will be Councillors Alastair MacDougall as the representative and Robin Currie and the substitute
- Agree to fill the vacancy on the CHP with a Member from the opposition
- Agree to replace Councillor Len Scoullar on the Argyll College Board with Councillor Roddy McCuish

- Agree to fill the vacancy on Scotland Excel with Councillor Ellen Morton
- Agree that the Special Committee for Adult Services be dissolved and their remit be covered by the Community Services Committee

Moved by Councillor Dick Walsh, seconded by Councillor Ellen Morton

**Amendment**

- (a) To note that the revisions to Policy Leads were at the discretion of the Leader; and
- (b) To agree not to fill the vacancy on the Environment, Development and Infrastructure Committee with the new Member elected following the Oban North by election.

Moved by Councillor James Robb, seconded by Councillor Michael Breslin

**Decision**

On a show of hands vote the Motion was carried by 21 votes to 3 and the Council resolved accordingly.

(Reference: Report by Executive Director – Customer Services dated 25 August 2014, submitted and amended report by Executive Director – Customer Services, tabled)

Having previously declared an interest Councillor Colville left the room and took no part in the consideration of the following item of business.

**13. RE-ORGANISATION OF TRUSTS**

A report inviting the council to give final approval to the reorganisation of a number of charitable trust funds was considered. This would ensure that the funds of the registered charities could be used more effectively and to allow the trusts to achieve their objectives.

**Decision**

The Council –

1. Gave authority to make payment to the recipient charities as detailed and have the trusts wound up and removed from the OSCR register namely:-
  - James H Hall Bequest SC025066. Approved the payment of the remaining funds to David Andrew Greenlees Trust SC025066 and then to wind up the Trust and remove it from the OSCR register.
  - John Paterson Bequest SC025066. Approved the payment of the remaining funds to David Andrew Greenlees Trust SC025066 and then to wind up the Trust and remove it from the OSCR register.
  - Fleming Bequest SC025066. Approved the payment of the remaining funds to Kintyre Forum on Community Care SC023331 on the basis the funds will be used for the relief of those suffering ill

health or disability and then wind up the Trust and remove it from the OSRC register.

- Miss Ann MacLean Trust SC025066. Approved the payment of the remaining funds to Moving On Mid Argyll (MOMA) SC041901 and then to wind up the trust and remove it from the OSCR register.
2. For the Miss Evangeline MacDonald Trust SC025066 and Miss Catherine McCaig Trust SC025066 where members agreed to apply to OSCR to reorganise by transferring all the funds held to Oban Charitable Trust SC017747; agreed instead to apply to OSCR to transfer the funds to the Hope Kitchen in Oban SC041770 as detailed in Appendix 1 of the report.
  3. In respect of the Misses MacGillvray Trust SC019593, agreed to apply to OSCR to reorganise by transferring all the funds held to the Hope Kitchen in Oban.

(Reference: Report by Executive Director – Customer Services dated August 2014, submitted)

Councillor Colville returned to the meeting.

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

The Council considered a report which sought agreement to the appointment of two Governors to the Board of the Charles and Barbara Tyre Trust.

**Decision**

The Council agreed the appointment of Mr Andrew Baxter (Kinlochleven) and Mr George MacMillan (Campbeltown) as Governors to the Board of the Charles and Barbara Tyre Trust.

(Reference: Report by Executive Director – Customer Services dated 8 September 2014, submitted)

**15. CARBON MANAGEMENT UPDATE: SOLAR PV IN SCHOOLS**

A report which provided an update on the progress with the installation of solar photovoltaic panels at a number of Argyll and Bute Schools was considered. The report also provided recommendations on the way forward.

**Decision**

The Council noted -

1. The excellent progress with the solar pv installations at the non NPDO schools and that the final installation at Park Primary School should be completed during the school holiday period in October 2014.
2. That the projected Full Business Case for the NPDO Schools indicates

that prudential borrowing capital funding of circa £943,273 is required for the 5no. NPDO solar pv projects at Dunoon Grammar, Rothesay Joint Campus, Hermitage Academy, Oban Primary Campus and Lochgilphead Joint Campus to proceed to the implementation/delivery stage.

3. That the projected Full Business Case shows an aggregated simple payback period of 10 years for the 5no. NPDO solar pv projects which is well within the 14 year payback limit accepted by Council on 26 June 2014.
4. That on conclusion of an NPDO contract variation, expected in early September 2014, the Executive Director of Customer Services will be in a position to accept tenders on behalf of the Council for the installation of solar photovoltaic panels at the NPDO schools based on the previously agreed delegated authority.
5. That a further update paper will be presented to Council on completion of the project.

(Reference: Report by Executive Director – Customer Services dated 27 August 2014, submitted)

#### **16. HOLIDAY PAY ENTITLEMENT**

The Council considered a report advising of the recent EJC ruling on holiday pay which would have significant implications for employers including the Council. In order to halt the current unlawful deductions of wages the report made recommendations to the Council to make backdated payments for this leave year and to regularise payments going forward.

#### **Decision**

The Council agreed that Improvement & HR –

1. Proceed on the basis that action should be put in place now to make the payments for the current leave year and the ongoing future payments.
2. Continue to engage with Trades Unions in relation to the process.
3. Engage with COSLA regarding discussions at a national level to resolve issues arising from the ruling relating to historic back pay.

(Reference: Report by Executive Director – Customer Services dated September 2014, submitted)

#### **17. CHORD PROGRAMME - PARKING UPDATE - HELENSBURGH**

The Council considered a report advising that an operational issue with the adjustment to parking meters will result in a delay in implementing a decision by the Policy and Resources Committee on 21 August 2014. The decision was to instruct officers to end the temporary suspension of parking charges in the Sinclair Street car park from 1 September 2014 to

31 December 2014, with the proviso that the first two hours be free to compensate for the loss of on-street parking during phases three and four of the CHORD works.

**Decision**

The Council –

1. Noted the content of the report.
2. Agreed to the new implementation date of 20 October 2014.
3. Agreed to delegate determination of a suspension of car parking charges across Argyll and Bute during the Christmas period to the Policy and Resources Committee.

(Reference: Report by Executive Director – Development and Infrastructure Services dated September 2014, submitted)

**18. CAMPBELTOWN COMMON GOOD FUND**

A report was considered advising that Campbeltown Common Good Fund requires three trustees to be quorate, which is no longer possible following the recent resignation of a Ward 1 Councillor. The report advised the Council of an urgent need for a meeting of the Campbeltown Common Good Fund to determine applications that are time pressured and set out a proposal for a temporary delegation to avoid delay in convening a quorum.

**Decision**

The Council -

1. Agreed a temporary delegation to the Executive Director of Customer Services to determine applications received by the Campbeltown Common Good fund in consultation with Ward 1 members.
2. Noted this delegation would expire on the election of a new Ward 1 member and appointment as a trustee of the Fund.

(Reference: Report by Executive Director – Customer Services dated 22 September 2014, tabled)

**19. QUESTION SUBMITTED UNDER STANDING ORDER 15**

The following question was submitted to the Leader of the Council by Councillor Michael Breslin under Standing Order 15 –

*“Now that the referendum is over we know for certain that the Scottish*



*public sector will take a £5bn cash cut in the 3 years 2016 to 2019. The only possible hope of avoiding this level of cuts was a Yes vote but the No voters confirmed this level of cuts was what they were content with.*

*The council leader is already on record as saying that there will be no school closures but with education being the single largest element of our expenditure, what does the council leader intend to do to prepare this council, and our education service, for our share of these cuts? Will he agree to start an all member discussion group on financial policy for the remainder of this council? Will he listen to those not in his inner circle or does he plan to do as little as possible and park the problem until the next council elections?"*

Councillor Michael Breslin  
20 September 2014 06:37

**Response by Councillor Dick Walsh to question submitted under Standing Order 15 by Councillor Michael Breslin Council Meeting, Thursday 25 September 2014**

In response to the question put forward by Councillor Breslin and the view that he expresses, I wish to make the following statement. There are 4 key issues I wish to cover and these are:

- The Council has a sound track record of managing its finances.
- There are without doubt very significant challenges facing Argyll and Bute:
- Beyond the financial outlook for the public sector there are other significant challenges facing our area.
- How we address these challenges.

I will now address each of these issues in more detail.

The Council has a sound track record of managing its finances which provides a secure and stable platform for meeting future challenges and this can be demonstrated based on the following:

- The Council has an excellent track record in managing its budget and containing expenditure within income.
- We have a track record of dealing with significant funding reductions in a strategic and structured manner previously through our programme of service reviews.
- In February 2014 the Council agreed a budget approach that would provide for a 2 year period of stability.
- The budget is based on service achieving 1% budget savings over 2014-15 and 2015-16.
- This will see the Council with a free General Fund balance of around £13m by March 2016.
- It will also see the budgeted expenditure in 2015-16 around £1.4m

below the level of funding.

All of this provides a sound basis for the Council meeting the very significant financial challenges facing the whole of the public sector.

There are without doubt very significant challenges facing Argyll and Bute and we already know about these.

- Yes the Council faces a very challenging period post 2016 and this was acknowledged in the budget papers from February 2014 which set out the impact of reducing funding as a result of anticipated reductions in public sector funding but also as a consequence of the falling population in Argyll and Bute.
- Furthermore the Council will also need to address the impact of specific cost pressures through changes to national insurance contributions and the impact of pensions auto enrolment as well as the service and cost consequences that arise from changing demographics.

The challenging financial outlook is known and factored into the Councils longer term financial forecasts.

Beyond the financial outlook for the public sector there are other significant challenges facing our area.

- Our reduction in population confirmed through the 2011 census and the forecast of further reductions in population are of huge concern.
- The work carried out prior to development of the SOA identifies the need to improve the economic performance of Argyll and Bute.
- We have recognised these challenges in the SOA. Our overall objective is ambitious for Argyll and Bute.
- To support this change through the SOA we will need to consider carefully how best we can contribute to drive change and successfully deliver on the objectives of the SOA.

This is why the Policy and Resources Committee has asked officers to investigate how the General Fund balance can be deployed and invested to support growth in the economy, jobs and population.

The critical issue of course is how we address these challenges and this will neither be easy nor straightforward.

- We will need to consider carefully what the Council's priorities are, what services it delivers, to what standard, how they are delivered, who delivers them and how they are paid for. This will have implications for how the Council allocates its budget.
- Planning for growth is as important as cutting expenditure to meet reduced funding levels.
- It is essential that all members are involved in making these decisions and I will bring forward proposals on how that can take place. However we must be clear that also means all members

need to take the opportunity to respond and contribute positively and engage in this process.

Councillor Breslin refers in his view, to a £5 billion cash cut over the period 2016 to 2019. Before commenting on that it should be remembered that the people of Scotland did not vote yes or no to express a view on whether they were content or not with the scenario outlined by Councillor Breslin. The solemn decision made by the people of Scotland and Argyll and Bute was far more complex than the simplistic position outlined by Councillor Breslin and I have no doubt that all who voted considered the consequences of their vote very carefully.

Whilst a consistent picture of reducing public sector funding is clear from current forecasts it should also be borne in mind that there is a UK General Election in 2015 and then election in the Scottish Parliament.

The figure quoted by Councillor Breslin as a £5bn cash cut is not consistent with those coming through the Chancellor of the Exchequer's Autumn Statement from 2013, the 2014 UK budget nor from the office of budget responsibility. All 3 forecast a slight rise in UK totally managed expenditure but a reduction in departmental expenditure limits. All 3 forecasts suggest the reduction in Resource DEL (day to day running costs or revenue budget) will be around 8% to 9% from 2013-14 to 2018-19. Based on a Resource DEL for Scotland of around £25 billion this it would suggest is a reduction of considerably less than £5 billion between 2013-14 and 2018-19. A cash cut of £5 billion would be equivalent to around a 20% cut comparing 2013-14 to 2018-19.

Councillor Breslin then asked a supplementary question which was responded to by the Leader.

The Council resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for the following 3 items of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraphs 8; and 8 & 9; and 8 & 9 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

## **20. ROTHESAY PAVILION - REVENUE FUNDING**

A report was considered that outlined the need for revenue funding for the continued operation of Rothesay Pavilion beyond the completion of the CHORD repair and upgrading project, as part of a wider funding package.

### **Decision**

The Council agreed the recommendations contained within the report by the Executive Director subject to the amendments to recommendation 3.2.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 2 September 2014, submitted)

**21. OBAN CHORD - PUBLIC REALM SCHEME - PHASE ONE AND TWO - FULL BUSINESS CASE**

The Council considered a recommendation from the Oban, Lorn and the Isles Area Committee held on 10 September 2014 in respect of the Oban CHORD Public Realm Scheme – Phase one and Two – Full Business Case.

**Decision**

The Council agreed the recommendations from the Area Committee as detailed in the report by the Executive Director.

(Reference: Extract from Minute of Oban, Lorn and the Isles Area Committee held on 10 September 2014 and report by Executive Director – Development and Infrastructure Services, submitted)

**22. OBAN CHORD - NORTH PIER MARITIME VISITOR FACILITY - FULL BUSINESS CASE**

The Council considered a recommendation from the Oban, Lorn and the Isles Area Committee held on 10 September 2014 in respect of the Oban CHORD – North Pier Maritime Visitor Facility - Full Business Case.

**Decision**

The Council agreed the recommendations from the Area Committee as detailed in the report by the Executive Director.

(Reference: Extract from Minute of Oban, Lorn and the Isles Area Committee held on 10 September 2014 and report by Executive Director – Development and Infrastructure Services, submitted)

**MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held in the COUNCIL  
CHAMBER, KILMORY, LOCHGILPHEAD  
on THURSDAY, 30 OCTOBER 2014**

**Present:** Councillor Dick Walsh (Chair)

Councillor Vivien Dance	Councillor Gary Mulvaney
Councillor Alistair MacDougall	Councillor Douglas Philand
Councillor Roderick McCuish	Councillor James Robb
Councillor Aileen Morton	Councillor Len Scoullar
Councillor Ellen Morton	Councillor Sandy Taylor

**Also Present:** Councillor Rory Colville Councillor Donald MacMillan  
Councillor Elaine Robertson

**Attending:** Sally Loudon, Chief Executive  
Douglas Hendry, Executive Director – Customer Services  
Cleland Sneddon, Executive Director – Community Services  
Bruce West, Head of Strategic Finance  
Charles Reppke, Head of Governance and Law  
Jane Fowler, Head of Improvement and HR  
Judy Orr, Head of Customer and Support Services  
Audrey Martin, Projects and Renewables Manager  
Mike Casey, Schools Development Project Manager  
Kirsty Flannagan, Finance Manager  
Martin Gorringe, Marine Operations Manager

The Chair ruled and the Committee agreed to hold a Special meeting of the Policy and Resources Committee on 27 November 2014 to consider the outcome of the Economic Summit held on 29 October 2014 and the delivery of the Single Outcome Agreement; and also to consider a suite of financial papers in respect of the budget.

The Chair ruled and the Committee agreed to consider an additional item, Temporary Suspension Of Off Street Parking Charges During The Christmas Period And During The Helensburgh Christmas Festival And The Oban Christmas Festival, as a matter of urgency by reason that a decision needed to be taken at this Committee due to the dates of the Winter Festivals as outlined in the report by the Executive Director of Development and Infrastructure Services. This item is dealt with at item 16 of these Minutes.

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Currie, Kelly, D MacIntyre, and Strong.

**2. DECLARATIONS OF INTEREST**

Councillors Aileen Morton, Ellen Morton and Gary Mulvaney declared a non-financial interest in item 15 of the agenda (Helensburgh Pier Car Park - Winter Festival Fireworks Display) due to their membership on the

Winter Festival Committee.

**3. MINUTES**

The Minutes of the Policy and Resources Committee held on 21 August 2014 were approved as a correct record.

**4. FINANCIAL REPORT MONITORING PACK AS AT AUGUST 2014**

The Committee considered the financial reports monitoring pack as at 31 August 2014. The financial reports monitoring pack consisted of seven reports including; revenue budget monitoring report, Monitoring of 1% efficiency savings for 2014/15 and 2015/16, update to 2015/16 budget, monitoring of financial risks, reserves and balances, capital plan monitoring report and treasury monitoring report.

**Decision**

The Committee noted the –

1. Revenue budget monitoring report as at 31 August 2014.
2. Progress towards the 1% efficiency savings target for 2014-15 and 2015-16.
3. Updates to the 2015-16 budget as at 31 August 2014.
4. Current assessment of the Council's financial risks.
5. Overall level of reserves and balances and note the monitoring of the earmarked reserves.
6. Capital plan monitoring report as at 31 August 2014.
7. Treasury monitoring report as at 31 August 2014.

(Reference: Report by Head of Strategic Finance dated 1 October 2014, submitted)

**5. AREA COMMITTEE GRANTS**

**(a) CARRY FORWARD OF AREA COMMITTEE GRANTS**

A report was considered which set out a proposal to allow area committees to carry forward a proportion of their area grant budget from year to year in order to manage commitments, applications and budget availability.

**Decision**

The Committee agreed to permit Area Committees to carry forward a portion of their grant budget, up to a total limit of 10%, as set out within the report by the Head of Strategic Finance.

(Reference: Report by Head of Strategic Finance dated October 2014, submitted)

(b) **THIRD SECTOR GRANTS (CONTINUED APPLICATIONS)**

The Committee considered a recommendation from the Helensburgh and Lomond Area Committee held on 9 September 2014 requesting authority to carry forward the third sector funding residue of £1006 to the next financial year.

**Decision**

The Committee approved the request from Helensburgh and Lomond Committee to carry forward the third sector funding residue of £1006 to the next financial year.

(Reference: Report by Executive Director – Customer Services dated 6 October 2014 and extract from minute of Helensburgh and Lomond Area Committee held on 9 September 2014, submitted)

Councillor James Robb declared a financial interest in the following item of business due to the reason that he has a family member who works for Morrison Construction. He left the room and took no part in the consideration of this item.

**6. NEW SCHOOLS PROJECT - CAMPBELTOWN, OBAN AND KIRN**

A report providing an update on the schools redevelopment project to build new secondary schools in Campbeltown and Oban; and a new primary school in Kirn, was considered.

**Decision**

The Committee –

1. Noted the project programme key dates for Campbeltown Grammar and Oban High school, detailed at paragraph 4.1 of the report, and the requirement for the P&R committee to meet to approve the Stage 1 submission report.
2. Accepted the recommendation of hubNorth that Morrison Construction is appointed as the Tier 1 building contractor for the Council's Scotland's Schools for the Future (SSF) schools' projects in Campbeltown, Oban and Kirn.
3. Accepted the recommendation of hubNorth that Argyll & Bute Council agree to an amendment to the TPA Payment Provision at Stage 1 & 2 as per the Scottish Futures Trust Guidance Note 4/14. This allows for Stage Payments of Development Fees to be paid after Stage 1 and during Stage 2 as outlined in paragraph 4.4 of the report.
4. Agreed for Campbeltown Grammar:
  - the site layout;
  - building floor plans and adjacencies; and
  - accommodation schedule

as contained in Appendices 1-3 which are expected to be submitted as part of the Stage 1 submission from hubNorth.

5. Agree for Oban High School:

- the site layout;
- building floor plans and adjacencies; and
- accommodation schedule

as contained in Appendices 4-6 which are expected to be submitted as part of the Stage 1 submission from hubNorth.

6. Noted the update on the tenancies at Kintyre Park, Campbeltown and Dalintart Farm, Oban.

7. Noted the detail of the project communications strategy as in Appendix 7.

(Reference: Report by Executive Director – Community Services dated 14 October 2014, submitted)

Councillor James Robb re-joined the meeting.

**7. EXPLORING THE PROVISION OF TOWN WI-FI HOTSPOTS ACROSS ARGYLL AND BUTE**

A report was considered which provided information in respect of the possible options available regarding the provision of town Wi-Fi within Argyll and Bute towns.

**Decision**

The Committee agreed that a pilot project, funded from existing departmental resources, be delivered for Helensburgh (on the basis that CHORD works have included infrastructure to facilitate the delivery of town Wi-Fi) and that, subject to the outcome of the pilot, an options appraisal looking at delivery across the other main town centres should be progressed at a later date.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 30 October 2014, tabled)

**8. EMPLOYEE SURVEY REPORT AND ACTION PLAN**

The Committee considered a report which advised of current employee engagement and survey activity which was underway. The report advised that the findings of which would be reported, with an action plan, to a future Policy and Resources Committee.

**Decision**

The Committee –

1. Noted the current employee engagement and survey activity which was underway.
2. Noted that employee engagement was an important contributor to organisational performance.



3. Noted that an integrated report with the findings of these surveys and the associated focus groups would be brought, with an action plan, to a future Policy and Resources Committee.

(Reference: Report by Executive Director – Customer Services dated October 2014, submitted)

**9. REPLACEMENT/UPGRADE OF CUSTOMER CONTACT SYSTEMS**

A part of the Leader's report to Council on 25 September 2014 it had been reported that the Council had been researching alternative customer relation management system suppliers and advised of a possibility of doing this with Highland Council. A report was considered which provided and update and which sought approval of the Council as a participant in a collaborative procurement, led by Highland Council, for a replacement or upgrade of the Council's customer contact systems.

**Decision**

The Committee approved the Council being named as a participant in a collaborative procurement, led by Highland Council, for a replacement or upgrade of the Council's customer contact systems.

(Reference: Report by Executive Director – Customer Services dated 1 October 2014, submitted)

\* **10. DO WE DO DIGITAL**

The Committee considered a report requesting them to review an assessment of the Council's digital capability and commitment and an associated action plan; and to support the adoption of 3 principles designed to increase digital uptake.

**Decision**

The Committee -

1. Endorsed the following 3 principles for adoption by the Council:
  - Services will be delivered as "digital first" and customers who can will be enabled and encouraged to self-serve;
  - Customers who are unable to self-serve will be assisted to access services so they are not disadvantaged;
  - Service access, delivery and associated business processes will be re-designed to improve performance and productivity and to reflect the above two principles.
2. Agreed the supporting draft action plans at appendices 1 and 2 to the report and agreed that these are put to Council for approval.

(Reference: Report by Executive Director – Customer Services dated 30 September 2014, submitted)

**11. CAMPBELTOWN OFFICE RATIONALISATION**

A report which provided an update on the outline business case for the

Campbeltown Rationalisation Project was considered. The report provided a review of the options that have been explored and made recommendations for the way forward.

### **Decision**

The Committee –

1. Noted that the preferred option which fully addresses the Council's Strategic Objectives, regarding Organisational Development, Process for Change and Workforce Deployment and the identified condition and suitability deficiencies at Witchburn Road Office, is the purchase and refurbishment of Kintyre House, Kintyre Business Park, Campbeltown and subsequent relocation of staff to both Kintyre House and one ward within Campbeltown Hospital.
2. Noted that Witchburn Road Office is a Red Risk Asset and there is an immediate need to invest £804k to address identified condition deficiencies. Additional investment would also be required to address known suitability issues.
3. Agreed prudential borrowing of £97k underpinned by revenue savings delivered through the preferred option.
4. Approved further capital investment of £382k to be used in conjunction with the £89k that was previously allocated for roof repairs at Witchburn Road Office which will no longer be required for this in view of the preferred option.
5. Recommended that any capital receipts from the disposal of properties made surplus following this exercise are ring fenced to offset the cost of the project.

(Reference: Report by Executive Director – Customer Services dated 24 September 2014, submitted)

### **12. COUNCIL USE OF SOCIAL MEDIA - UPDATE**

The Committee considered a report which provided an update on the Council's use of social media as part of work to broaden and improve engagement with communities.

### **Decision**

The Committee noted the progress of the Council's use of social media platforms as customer service and communication channels.

(Reference: Report by Executive Director – Customer Services dated October 2014, submitted)

### **13. THE SMITH COMMISSION AND LOCAL GOVERNMENT IN SCOTLAND**

The Committee considered a report providing information on the Smith Commission, which had been set up following the Scottish Independence

Referendum; and inviting Members to agree a submission to the Smith Commission.

**Decision**

The Committee –

1. Instructed Council officers to make a submission to the Smith Commission.
2. Agreed that a final response, taking into account the comments made by Members, be developed by the Executive Director – Customer Services in consultation with the Leader of the Council, circulated to Members of the Committee for information and be submitted to the Smith Commission by Friday 31 October 2014.

(Reference: Report by Executive Director – Customer Services dated 29 October 2014, submitted)

**14. POLICY AND RESOURCES COMMITTEE DEVELOPMENT DAY AND WORK PLAN**

The Committee considered a report updating members on key considerations arising from the Policy and Resources Committee Development Day on 7 August 2014 and which reviewed the Committee Work Plan and forward agenda.

**Decision**

The Committee –

1. Noted the feedback from the Committee Development Day.
2. Reviewed the forward plan and agreed to the addition of text relating to the provision of information about the financial outlook on a regular basis.
3. Agreed that the Work Plan would be a future standing item on the agenda.

(Reference: Report by Executive Director – Customer Services dated 20 October 2014, submitted)

Councillors A Morton, E Morton and Mulvaney, having previously declared an interest in the following item of business, left the room and took no part in the consideration of this item.

**15. HELENSBURGH PIER CAR PARK - WINTER FESTIVAL FIREWORKS DISPLAY**

The Committee considered a recommendation from the Helensburgh and Lomond Committee meeting held on 14 October 2014; to suspend parking charges on Saturday 29 November 2014 and Sunday 30 November 2014 during the winter festival from 8.00am to 6.00pm for all car parks in central Helensburgh.

## **Decision**

The Committee agreed that parking charges be suspended on Saturday 29 November 2014 and Sunday 30 November 2014 during the winter festival from 8.00am to 6.00pm for all car parks in central Helensburgh.

(Reference: Extract from Minute of Helensburgh and Lomond Area Committee held on 14 October 2014 and report by Executive Director – Development and Infrastructure Services, submitted)

Councillors A Morton, E Morton and Mulvaney re-joined the meeting.

### **16. TEMPORARY SUSPENSION OF OFF STREET PARKING CHARGES DURING THE CHRISTMAS PERIOD AND DURING THE HELENSBURGH CHRISTMAS FESTIVAL AND THE OBAN CHRISTMAS FESTIVAL**

A report was considered which sought approval from the Committee for the suspension of parking charges, across all areas of Argyll and Bute during the 5 day period up to and including Christmas Eve, 20 – 24 December 2012, inclusive. The report also sought approval from the Committee for the suspension of parking charges in Helensburgh car parks for the Helensburgh Winter Festival (21 – 30 November) and in Oban for the Oban Winter Festival (14 November – 23 November).

## **Decision**

The Committee -

1. Noted that a decision regarding the suspension of parking charges during the Helensburgh Winter Festival had already been agreed at item 15 of these Minutes.
2. Instructed the Executive Director of Development and Infrastructure to suspend parking charges on off street car parks across all areas of Argyll and Bute during the 5 day period up to and including Christmas Eve (20 – 24 December) and for the Oban Winter Festival (14 – 23 November).

(Reference: Report by Executive Director - Development and Infrastructure Services dated 29 October 2014, tabled)

### **17. NOTICE OF MOTION UNDER STANDING ORDER 13**

The Committee considered the following Notice of Motion submitted under Standing Order 13 which was proposed at the meeting by Councillor Sandy Taylor and seconded by Councillor James Robb–

## **Motion**

The Committee notes the arrangements for the flying of flags from Council flag staffs as delegated to the Director of Customer Services within the Council's Flags Policy.

The Committee agrees that in future, the St Andrews flag (Scottish Saltire) be flown on all days of the year, other than those specified occasions noted in the Council's Flags Policy.

**Decision**

Councillor Sandy Taylor as proposer, with agreement of the seconder Councillor James Robb, withdrew the Motion as an item would be dealt with at the Council meeting on 27 November 2014 as part of a recommendation from the Bute and Cowal Area Committee held on 7 October 2014.

(Reference: Notice of Motion by Councillor Isobel Strong and seconded by Councillor Sandy Taylor, submitted)

**18. NOTICE OF MOTION UNDER STANDING ORDER 13**

The Committee considered the following Notice of Motion submitted under Standing Order 13 which was proposed by Councillor James Robb and seconded at the meeting by Councillor Sandy Taylor.

**Motion**

This Committee agrees, and recommends to Council if required, to stop pursuing and collecting Poll Tax/Community Charge arrears with immediate effect and to refund all arrears payments made from the period commencing 2 October 2014.

**Amendment**

That the Committee notes that despite the announcement by the First Minister of an intention to legislate in respect of the issue of community charge debt no legislation has yet been forthcoming.

In light of this and the public commentary by COSLA that there had been no consultation with them on this proposal and the impact it might have on local government finance the Committee should take no action on this matter at this time.

Moved Councillor Dick Walsh, seconded Councillor Mulvaney.

**Decision**

On a show of hands vote the amendment was carried by 9 votes to 2 and the Committee resolved accordingly.

(Reference: Notice of Motion by Councillor Sandy Taylor and seconded by Councillor Isobel Strong, submitted)

The Chair ruled and the Committee agreed to adjourn for lunch from 1.10pm to 1.40pm.

The Committee 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 Paragraphs 1 and 12 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

Councillor Alistair MacDougall left the meeting prior to determination of the following item of business and did not return.

**19. ROTHESAY HARBOUR**

A report which informed the Committee of issues which had arisen in respect of the operation of Rothesay Harbour was considered.

**Decision**

The Committee agreed the recommendations as contained within the report by the Executive Directors subject to the amendment agreed in respect of paragraph 3.1 of the report.

(Reference: Joint report by the Executive Director – Customer Services and the Executive Director – Development and Infrastructure Services dated 29 October 2014, tabled)

**MINUTES of MEETING of ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE  
COMMITTEE held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD  
on THURSDAY, 13 NOVEMBER 2014**

**Present:** Councillor Ellen Morton (Chair)

Councillor Vivien Dance	Councillor Alex McNaughton
Councillor Anne Horn	Councillor Ellen Morton
Councillor Bruce Marshall	Councillor Elaine Robertson
Councillor Iain MacDonald	Councillor Sandy Taylor
Councillor Alistair MacDougall	Councillor Richard Trail
Councillor Robert G MacIntyre	Councillor Dick Walsh

**Also Present:** Councillor George Freeman Councillor Robin Currie

**Attending:** Pippa Milne, Executive Director – Development and Infrastructure Services  
Charles Reppke, Head of Governance and Law  
Jim Smith, Head of Roads and Amenity Services  
Fergus Murray, Head of Economic Development and Strategic Transport

The Chair ruled and the Committee agreed to consider an additional item, Update on A83 Rest and Be Thankful, as a matter of urgency by reason of the recent events and the need to provide members with an update.

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors David Kinniburgh, Duncan MacIntyre and Donald MacMillan.

**2. DECLARATIONS OF INTEREST (IF ANY)**

There were no declarations of interest intimated.

**3. MINUTES**

The Minutes of the meeting of the Environment, Development and Infrastructure Committee held on 14 August 2014 were approved as a correct record.

**4. UPDATE ON A83 REST AND BE THANKFUL**

A report which provided the Committee with an update on the recent landslip on the A83 and of a recent meeting that took place between Elected Members, the Chamber of Commerce and the constituency MSP was considered.

**Decision**

The Committee agreed that the Council requests that Transport Scotland and the Scottish Government provide a permanent solution for the Rest and Be Thankful.

(Reference: Report by Executive Director – Development and Infrastructure dated November 2014, tabled)

**5. 2014-2020 LEADER PROGRAMME - ACCOUNTABLE BODY ROLE**

The Committee considered a report which provides details of a proposal that recommends that Argyll and Bute Council, through the European Team, takes on the role of the Accountable Body for the 2014-2020 Argyll and the Islands LEADER programme as proposed by the Local Action Group.

The Committee noted that it would be beneficial for a members seminar or a work shop prior to a future Environment, Development and Infrastructure Committee to be scheduled once the new LEADER programme had been established to allow members to gain a better understanding of the programme and the work that they carry out.

**Decision**

The Committee agreed that Argyll and Bute Council should be the Accountable Body for the 2014-2020 LEADER programme.

(Reference: Report by Executive Director – Development and Infrastructure dated 12 September 2014, submitted)

**6. SCREEN INDUSTRIES REPORT**

A report which provided the Committee with an overview of the current screen industry activity and key actions for further development of screen industries in Argyll and Bute was considered. The report detailed the potential economic benefits of attracting the screen industries to Argyll.

The Committee noted that holding more film festivals in Argyll and Bute could attract more screen industries to the area, and that the Policy Lead for Sustainable Environment, Renewables, and Strategic Tourism should meet with officers to establish if it would be possible to increase the number of film festivals held within Argyll and Bute.

**Decision**

The Committee noted the contents of the report including the proposed action plan and the potential for Argyll and the Isles Film Office to continue to develop a proactive approach to attracting inward investment from the industry.

(Reference: Report by Executive Director - Development and Infrastructure, dated 1 October 2014, submitted)

**7. FEEDBACK ON THE RURAL SCOTLAND IN FOCUS 2014 REPORT**

The 2014 Rural Policy Centre's Rural Scotland in Focus report was published on the 2<sup>nd</sup> of June 2014, the Committee considered a report that concerned these findings and detailed the proposed areas that Argyll and Bute Council request the Rural Policy Centre to look into in further detail. The Committee held a discussion on the link between these



findings and recent Economic Summit and Rural Parliament which had recently been held in the area.

### **Decision**

1. The Committee noted the contents of the report and agreed that the areas for further examination by the Rural Policy Centre should be as follows:
  - Examination of the distribution of new infrastructure funding in rural Scotland and what impact this investment is having on population growth or loss.
  - Examination of population loss in the West Coast of Scotland, the specific reasons for this and the necessary measures required to reverse this negative trend.
  - Examination of the particular economic and social issues affecting island and remote peninsular communities.
  
2. The Committee agreed that the Rural Policy Centre should be advised of a summary of the key findings of the Economic Summit and the Rural Parliament Meeting Findings from its recent meeting in Oban.

(Reference: Report by Executive Director - Development and Infrastructure Services dated 17 October 2014, submitted)

Councillor Bruce Marshall and Alistair MacDougal joined the meeting during discussion of the above item.

Councillor Ellen Morton left the meeting at this point and Councillor Dick Walsh took the Chair.

### **8. CAPITAL ROADS RECONSTRUCTION PROGRAMME 2014/15 AND ROAD ANNUAL STATUS AND OPTIONS REPORT (ASOR)**

A report which advised the Committee of the progress being made with regard to the delivery of the Roads Reconstruction Programme for 2014/2015 was considered. The programme has been delivered in line with the Roads Asset Management and Maintenance Strategy which was approved by Council in October 2012. The report included the second Roads Annual Status and Options Report, which provided the Committee with an summary of the Council's road assets as at April 2014, the findings from this report are based upon current available data on the condition of the asset and the future options which can be considered in terms of investment.

### **Decision**

The Committee agreed to:

1. Note the Annual Status and Options Report and the positive analytical feedback it provides with regard to the effectiveness of the Council's Roads Asset Management and Maintenance Strategy

and associated Roads Reconstruction Programme.

2. Note the progress of the Roads Reconstruction Programme for 2014-2015.

(Reference: Report by Executive Director – Development and Infrastructure dated November 2014, submitted)

**9. DRAFT ROAD SPEED POLICY FRAMEWORK**

The Committee considered a report which details a policy which establishes a framework for Argyll and Bute Council for the selection, prioritisation and approval of speed limits.

The Committee noted that the policy was misleading when discussing the advisory 20mph speed limits.

**Decision**

The Committee agreed to:

1. Endorse the proposed draft Road Speed Limit Policy Framework subject to an amendment being made to the section on 20mph advisory speed limits in order to make this more clear.
2. Approve that Police Scotland and Transport Scotland are consulted on the draft prior to the Policy and Resources Committee considering the Policy Framework for adoption as Council Policy.

(Reference: Report by Executive Director – Development and Infrastructure Services dated October 2014, submitted)

**10. ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE DEVELOPMENT DAY AND WORK PLAN**

The Committee considered a report which updated the committee on key considerations arising from the Environment, Development and Infrastructure Committee Development Day. This report also allowed the Committee to review the Committee Work Plan and forward agenda.

**Decision**

The Committee noted the feedback received from the Committee Development Day and the forward work plan, and agreed that this item should be a standing item on future agendas.

(Reference: Report by Executive Director – Customer Services dated 20 October 2014, submitted)

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**ARGYLL & BUTE COUNCIL****COUNCIL****27 November 2014**

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**LEADER'S REPORT**

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**1 SUMMARY**

- 1.1** This report outlines key activities undertaken within the role of Council Leader since the last Council Meeting on 25<sup>th</sup> September, through participation in meetings, as follow; COSLA HR Executive, COSLA Leaders, COSLA Resources and Capacity Executive, Argyll and Bute Economic Summit, COSLA Convention, and a Video Conference with MEPs.

**2 RECOMMENDATIONS**

- 2.1** It is recommended that the Council notes the report and also notes that additional documents are available in a Leaders Report Pack through the Leadership Support Officer.

**3 23/09/2014 COSLA Strategic Human Resources Management Executive Group****3.1 Agenda**

I attended the above meeting which was held in Edinburgh.

Items taken in Public Session included:-

- Presentation by Julie McGahan, Living Wage Accreditation Adviser, The Poverty Alliance
- Scotland's Strategy to Address Violence against Women and Girls (VAWG)
- Zero Hours Contracts Survey
- General Update Paper

Items taken in Private Session included:-

- European Update on Working Time Directive (WTD)
- General Pay Update
- Holiday Pay
- Pensions
- Single Fraud Investigation Service (SFIS)
- Scottish Negotiating Committee for Teacher (SNCT)

Whilst I am unable to report on the items taken "in Private Session", an overview of the items taken in public session is included below.

**3.2 Equally Safe - Scotland's Strategy to Address Violence against Women and Girls (VAWG)**

The purpose of this report was to provide an update for Executive Group members on the work progressing between COSLA Employers and colleagues in the Trade Union Side on the Equally Safe Strategy to Address Violence against Women and Girls.

The recommendations of the paper asked the Executive Group to:

- i. Note the report; and
- ii. Provide a political response to the action plan identified by the SJC Working Group addressing the requirements of the Strategy as outlined in paragraph 10 and within the appendix.

**Argyll and Bute Council Position**

Our position was to agree with the recommendations of the paper

**Outcome**

The Executive Group agreed with the recommendations of the paper.

**3.3 Zero Hours Contracts Survey**

This report was a response to a request by the Executive Group for further information on the use of what has been termed "Zero Hours Contracts" (ZHCs) in Scottish Local Authorities.

The Executive Group was requested to discuss and note the report.

**Argyll and Bute Council Position**

Our position was to note the report

**Outcome**

The Executive Group agreed the need for a further, more policy orientated report. COSLA's general approach to the issue was agreed.

**3.4 General Update Report**

The purpose of this report was to provide information to the members of the Executive Group on a range of issues relating to the workforce of Scottish Councils.

It was recommended that the Executive Group note the information provided in the report.

**Argyll and Bute Council Position**

Our position was to note the report

**Outcome**

The Executive Group agreed with the recommendations of the paper.

#### 4.0 26/09/2014 – COSLA Leaders Meeting

##### 4.1 Agenda

Chief Executive, Sally Loudon and I attended the above meeting which was held in Edinburgh.

Items taken in Private Session included:-

- Land Engineering; Grounds Maintenance Proposals – Report and Presentation
- Local Government Settlement 15/16 – Oral Update
- Charging for Non-residential Social Care Services
- Commission for Developing Scotland's Young Workforce
- Pensions

Items taken in Public Session included:-

- Mental Health (Scotland) Bill
- Distribution Issues
- Use of Armed Policing in Scotland
- Gender Balance Task Group Update

I have summarised the items taken in public session below.

##### 4.2 Mental Health (Scotland) Bill

The purpose of this paper was to update Leaders on the policy and financial implications of proposed changes to mental health legislation in Scotland, and seek endorsement of a draft response to the Finance Committee's call for evidence in relation to the Mental Health (Scotland) Bill.

As part of the recommendations within the paper, Leaders were invited to:

- i. Note that the Scottish Parliament was considering the Mental Health (Scotland) Bill and that this would have financial implications for councils;
- ii. Note that the paper highlights a discrepancy between how the scope of the Bill is described in its explanatory notes and then in the financial memorandum;
- iii. Agree the proposed COSLA position
- iv. Agree the draft response to the Finance Committee's call for evidence, which was also presented within the paper.

##### Argyll and Bute Council Position

Our position was to agree with the recommendations of the paper

##### Outcome

Leaders agreed with the recommendations of the paper and to the proposed draft response.

##### 4.3 Distribution Issues

The purpose of this report was to ask Leaders to consider and agree recommendations from the Settlement and Distribution Group (SDG) in relation to the distribution of two European funding areas.

Within the recommendations of the paper, Leaders were asked to agree the distribution for:

- i. the European Social Fund (Employability) as set out in within the paper
- ii. the European Social fund (Poverty and Social Inclusions) also, as set out within the paper

#### **Argyll and Bute Council Position**

Our position was to agree with the recommendations of the paper.

#### **Outcome**

Leaders agreed with the recommendations of the paper.

### **4.4 Use of Armed Policing in Scotland**

The purpose of this report was to invite Leaders to consider the concerns being expressed from a variety of sources regarding police officers performing routine duties while carrying firearms.

In the recommendations of the paper, Leaders were invited to:

- i. Provide comment on Police Scotland's approach to the deployment of armed police;
- ii. Agree to the principle that police officers should not carry firearms on regular duties and to the proposed COSLA position based on that, set out within the paper;
- iii. Agree to write to Police Scotland to seek clarification in relation to the standing firearms authority;
- iv. Agree to respond to three separate reviews of the policy launched by Police Scotland, HMICS and the SPA; and
- v. Consider making representations to the Cabinet Secretary for Justice and the Justice Sub-Committee on Policing on the matter.

#### **Argyll and Bute Council Position**

Our position was to agree with the recommendations of the paper

#### **Outcome**

Leaders agreed to the recommendations of the paper.

### **4.5 Gender Balance Task Group Update**

The purpose of this report was to bring Leaders up to date with developments, since they looked at the COSLA Constitution at the end of May, on the issue of gender balance within COSLA's political structures.

The recommendations of the paper asked Leaders to:-

- i. note that the Gender Balance Task Group has now been constituted and has met;
- ii. understand the issues raised at the first meeting of the Task Group; and
- iii. Provide feedback on the issues raised.

**Argyll and Bute Council Position**

Our position was to note the recommendations of the paper

**Outcome**

Leaders agreed with the recommendations of the paper.

**5.0 01/10/2014, COSLA Resources and Capacity Executive Group**

**5.1** I attended the above meeting which was held in Edinburgh.

**Items taken in Private Session included:-**

- i. Local Government Budget 2015/16 – **oral update**
- ii. Holiday Pay
- iii. Fiscal Empowerment Task Group
- iv. European Update on Working Time Directive (WTD)
- v. Teachers' Pension Scheme governance

**Items taken in Public Session included:-**

- i. Welfare Reform Committee Evidence
- ii. Single Fraud Investigation Service
- iii. Corporate Fraud
- iv. Third Sector Pilot Scheme Proposal
- v. COSLA response to Scottish parliament's call to evidence on Financial Memorandum for the Community Empowerment (Scotland) Bill
- vi. HRA Asset Disposals Proposal

Although I am unable to comment on the items taken in private session, I have summarised the items taken in public session below.

**5.2 Welfare Reform Committee Evidence**

The purpose of this paper was to seek the Executive Group's endorsement of key messages for a forthcoming evidence session to the Scottish Parliament's Welfare Reform Committee.

Within the recommendations of the paper the Executive Group was invited to:

- i. Endorse the key messages set out within the paper as a basis for a written submission and oral evidence to the Welfare Reform Committee; and
- ii. Mandate the Spokesperson to sign off the final evidence submission.

**Argyll and Bute Council Position**

Our position was to agree with the recommendations of the paper.

**Outcome**

The Executive Group agreed the recommendations of the paper.

### **5.3 Single Fraud Investigation Service**

The purpose of this paper was to update the Executive Group on progress of the implementation of the Single Fraud Investigation Service.

In the recommendations of the paper, the Executive Group was invited to:

- i. Note the progress in relation to the implementation of the Single Fraud Investigation Service and that officers were continuing to respond to issues arising for councils, with support from Directors of Finance and practitioners;
- ii. Endorse the officer responses to date as outlined in the report;
- iii. Agree that officers continue to respond as SFIS is implemented, in line with the overall agreed political direction, that being to secure Scottish local authorities' interests as far as possible and for protections to be in place for staff transferring to SFIS; and
- iv. Agree that officers provide further updates as progress continues and, if necessary, seek political direction either through the Executive Group or, as mandated, from the Spokesperson.

#### **Argyll and Bute Council Position**

Our position was to agree with the recommendations of the paper

#### **Outcome**

The Executive Group agreed the recommendations of the paper

### **5.4 Corporate Fraud**

The purpose of this report was to update the Executive Group on the work that has been undertaken by officers on corporate fraud and to seek views on the focus of the work.

In the recommendations of the paper the Executive Group was invited to:

- i. Agree the focus of the work undertaken on corporate fraud; and
- ii. Agree that a detailed practitioner level report on corporate fraud will be taken forward with Directors of Finance, for councils to develop locally.

#### **Argyll and Bute Council Position**

Our position was to agree with the recommendations of the paper

#### **Outcome**

The Executive Group agreed the recommendations of the paper

### **5.5 Third Sector Pilot Scheme Proposal**

The purpose of this report was to seek political endorsement from the Resources & Capacity Executive Group on a joint COSLA, Scottish Government and Third Sector proposal on cross sector working. Specifically, the proposal sought to establish a pilot scheme to develop and foster relationships and build networks between Local Authorities and the Third Sector that would demonstrate that successful co-production, innovation and joint working can create better outcomes.



In the recommendations of the paper, the Executive Group members were invited to:-

- i. Note the continuing engagement of COSLA officers with SCVO and Scottish Government in developing the pilot scheme proposal;
- ii. Agree COSLA's pilot scheme proposal;
- iii. Agree that any Local Authorities keen to be involved in the pilot scheme contact COSLA officers; and
- iv. Note that, should members agree the pilot scheme proposal, an update report will be brought to a future meeting of the Resources & Capacity Executive Group.

### **Argyll and Bute Council Position**

Our position was to agree with the generality of the recommendations of the paper but to raise concerns in relation to; a) the timescale for identifying pilot areas and b) the proposed issues to be covered.

### **Outcome**

Rather than agreeing to the recommendations of the paper, The Executive Group agreed to write to John Swinney for further clarity in relation to issues with the pilot, particularly the funding of it.

## **5.6 Community Empowerment (Scotland) Bill - Financial Memorandum**

The purpose of this report was to seek agreement from the Resources & Capacity Executive Group on COSLA's response to the Financial Memorandum to the Community Empowerment (Scotland) Bill.

The recommendations of the paper, invited the Executive Group to:-

- i. Note COSLA's written evidence on the policy aspects of the Bill, submitted to the Local Government & Regeneration Committee;
- ii. Note the concern around the inability to quantify the resources required by Local Authorities to implement the proposed Legislation;
- iii. Agree that Cllr Kevin Keenan write to the Finance Committee on the Financial Memorandum pertaining to the Community Empowerment (Scotland) Bill outlining these concerns; and
- iv. Agree that further work be undertaken to better quantify these costs in advance of the Bill being passed.

### **Argyll and Bute Council Position**

Our position was to agree with the recommendations of the paper.

### **Outcome**

The Executive Group agreed the recommendations of the paper.

## **5.7 HRA Disposal of Assets**

The purpose of this paper was to ask the Executive Group's agreement of a proposal from the Scottish Government to remove the requirement for councils to apply for consent to dispose of HRA assets.

In the recommendations of the paper, the Executive Group was asked to:

- i. Agree in principle the Scottish Government's proposal to no longer require councils to apply for consent to dispose of HRA assets; and
- ii. Note that the detail of the proposal will be consulted on with Directors of Finance and Heads of Housing as part of the Scottish Government's consultation process, prior to finalisation of guidance for implementation of the change for the next financial year.

### **Argyll and Bute Council Position**

Our position was to agree with the recommendations of the paper.

### **Outcome**

The Executive Group agreed the recommendations of the paper.

## **6.0 29/10/2014 Economic Summit**

- 6.1** I was delighted to take part in and to deliver the opening speech, at a high level economic summit which took place at the Queens Hall, Dunoon at the end of October. The event successfully highlighted the point that Argyll and Bute has 'an economy full of opportunities' which can be harnessed by forging better connections in all sorts of areas in order to turn them into real successes.

Key players from Argyll and Bute's business community came along with local and national public sector representatives and national politicians. All engaged fully in the event. There was dynamic and positive discussion which identified clear routes forward to boost the local economy and increase the area's population.

The summit, hosted by Argyll and Bute Community Planning Partnership and chaired by journalist Mark Stephen, welcomed the Rt Hon Alistair Carmichael, Secretary of State for Scotland and Mr. John Swinney, Cabinet Secretary for Finance and Sustainable Growth, as keynote speakers.

Other important speakers included; Argyll and Bute-based business representatives and young people, Argyll and Bute Council and Community Planning Partnership, Visit Scotland, Scottish/Highlands and Islands Enterprise, Argyll and the Isles Tourism Co-operative and Scotland's Rural College. The summit's focus was driving forward the economic and population growth that will secure a prosperous future for Argyll and Bute. As the summit progressed the theme of connectivity became clear; in the traditional sense of road, rail and sea transport, as well as through the digital pathways of the future and improved broadband coverage, sharing ideas, practices and learning between the public and private sector and by working together as 'team Argyll and Bute'.

The main message which I aimed to reinforce was that everyone has a part to play in backing Argyll and Bute and building the prosperous future they know it can have. In doing so, I outlined Argyll and Bute's ambitions, ideas and opportunities which could be built with an increasing population and

spoke about how we needed the commitment of all of our partners; their expertise and energies to develop these opportunities and turn them into action. I am grateful that the contributions made by businesses, academics, young people and politicians alike strongly backed this thinking and my colleague, Depute Leader, Councillor Ellen Morton went on to introduce the Argyll and Bute Sustainable Economic Development Forum (ABSEF), a public/private partnership which will drive forward economic change in Argyll and Bute, ABSEF will shape that strategic vision for the future and will, crucially, be business led.

I am most grateful to all who took part in this crucial step in progressing the ambitions of the people and businesses of Argyll and Bute.

Much more detail is available within the Leaders Report Pack.

## **7.0 31/10/2014, COSLA Convention**

- 7.1** I attended the above meeting with Depute Leader, Councillor Ellen Morton and our Chief Executive, Sally Loudon. The meeting was held in Edinburgh.

### **Agenda**

All items apart from one concerning the Smith Commission and discussion of minutes were taken in Public Session and included:-

1. Management of COSLA's Strategic Activity
2. Commission on Strengthening Local Democracy Report
3. Police Scotland: Governance and Scrutiny
4. Gender Balance Task Group Update

## **7.2 Management of COSLA's Strategic Activity**

The purpose of this report was to provide Convention members with a framework within which they could develop plans to carry out the Convention's responsibility as the primary forum for the management of COSLA's strategic agenda.

It was recommended that Convention members use the strategic overview provided within the report as a starting point for their discussions on the management of COSLA's strategic agenda. It was also recommended that the Convention aim to give officers sufficient guidance from these discussions to inform a further paper which would be produced for the December Convention meeting in a more final form.

### **Argyll and Bute Council Position**

Our position was to agree with the recommendations of the paper

### **Outcome**

Members accepted the detail in the paper and the recommendations.

## **7.3 The Commission on Strengthening Local Democracy**

The purpose of this paper was to invite the Convention to consider the

Commission on Strengthening Local Democracy's final report. The paper was accompanied by a presentation at the meeting from a number of members on the Commission.

The recommendations invited the Convention to:-

- (i) Consider and provide feedback on the Commission's final report;
- (ii) Welcome the contribution that the Commission has made to date in bringing a local dimension to the debate about Scotland's democratic future;
- (iii) Agree to maximise this momentum through a campaign and lobbying strategy based around the Commission's key principles; and
- (iv) Identify aspects of the Commission's findings that merit particular priority in pursuit of this objective, to enable a detailed strategy to be brought to Convention in December 2014.

#### **Argyll and Bute Council Position**

Our position was not to disagree with the recommendations of the paper but to note the risks around the Commission's findings.

#### **Outcome**

Members agreed the recommendations of the paper.

### **7.4 Police Scrutiny and Governance**

The purpose of this paper was to invite Convention members to consider the scrutiny, governance and representative roles of Local Government in relation to Police Scotland, given concern surrounding a number of recent policy and operational matters.

The recommendations of the paper invited Convention members to:-

- i. Note and comment upon the local impact of Police Scotland's national policies;
- ii. Agree the need for a more robust means of liaison between councils and Police Scotland at a national level, with clearer lines of escalation being required;
- iii. Consider making formal representations to the SPA, the Cabinet Secretary for Justice and the Scottish Parliament's Justice Subcommittee on Policing as outlined in the paper; and
- iv. Agree that Police Scotland's approach to current and emerging issues will be a measure of their commitment to local engagement and to receive future reports on progress in this area.

#### **Argyll and Bute Council Position**

Our position was to accept the recommendations of the paper.

#### **Outcome**

Members accepted the recommendations of the paper.

### **7.5 Gender Balance Task Group Update**

The purpose of this report was to bring Convention members up to date with

developments, since they looked at the COSLA Constitution at the end of June, on the issue of gender balance within COSLA's political structures.

The recommendations of the paper asked members to:-

- i. note that the Gender Balance Task Group has now been constituted and has met, with another meeting planned in the week of the Convention meeting; to consider the issues raised at the first meeting of the Task Group;
- ii. receive an oral report on the second meeting of the Task Group;
- iii. and provide feedback on the issues raised.

### **Argyll and Bute Council Position**

Our position was to agree with the recommendations of the paper.

### **Outcome**

Convention members agreed the recommendations of the paper.

## **8.0 12/11/2014 Video Conference between HIEP (Highlands and Islands European Partnership) Membership and MEPs**

- 8.1** Councillor Maurice Corry - Depute Policy Lead for European Affairs, Sustainable Economic Growth and Strategic Transportation, Sally Loudon – Chief Executive, Isabel Bremner – Economic Development Officer and Mary-Louise Howatt – Senior Development Officer and I attended the above meeting which had been arranged by HIEP as an opportunity to speak with MEPs in Brussels with regard to issues affecting the region over which the EU has policy and funding influence. Other HIEP member Councils in attendance were; Highland, Western Isles, Orkney and Shetland although the consultation in relation to the questions to be asked on the day also included North Ayrshire and Moray Councils. The MEPs participating from Brussels were; Catherine Stihler (Labour), Ian Duncan (newly elected, Conservative) and Ian Hudghton (SNP). Also in attendance was Jamie McGrigor, Highlands & Islands Conservative MSP who was visiting Brussels at the time.

The meeting began with “round table” introductions. This was followed by HIEP Chair, Drew Hendry providing background information on the work of HIEP in relation to the regions opportunities and challenges. Following this there was an introduction to the work portfolios and interests of the participating MEPs.

A range of questions had been forwarded by participating Councils to HIEP, for raising with MEPs although time permitted that only some of these questions were raised and discussed at the meeting itself. The remaining questions have been forwarded to MEPs in written form for consideration. The topics raised include; Marine Protection Designations, Transmission charging, Communications Infrastructure, Fisheries Discards, Environmental Designations, State Aid, Education and research. The question being posed by Argyll and Bute Council relates to Critical Infrastructure and the following

text has been sent on to HIEP for a response from MEPs:-

## **8.2 Critical Infrastructure Question**

The Highlands & Islands and indeed many of the peripheral regions of the European Union remain challenged by poor communications infrastructure and infrastructural bottlenecks. This lack of connectivity is proving to be a major brake on future socio-economic development in the region's key sectors such as food and drink, tourism, renewables, forestry, and marine science industries and tackling social exclusion.

The effects of poor infrastructure is easily exemplified by:

- the recent and increasingly regular closure of the A83 at the Rest and be Thankful and the A890 at Stromeferry;
- the poor condition of the A82 and A9 both key corridors from the region to the markets in the south;
- the six week loss of car transport from Stornoway to Ullapool;
- the slow speed and low capacity of the rail links to the south; and
- the high cost of air and sea travel to and from the island communities, including lifeline services.

There is a need, to redress the current policy focus and to prioritise investment in the periphery which HIEP believes is in line with Commission policy objectives of territorial cohesion, social justice and ensuring the European Union has the capacity to capitalise on the development strengths of all its territories – Smart Specialisation Strategy.

The campaign to ensure this focus on the periphery has been taken up by the CPMR but the Partnership wishes to learn more of the assistance MEPs can give to ensure that this policy and funding shift is adopted by the European Union.

- 8.3** In addition to the two questions above, I have requested more regular dialogue with MEPs in order to ensure that opportunities to influence priorities, policies and funding decisions are optimised by the MEPs who represent our interests. HIEP (Highlands and Islands European Partnership) is planning a visit to Brussels and I intend to keep colleagues informed on the outcomes from the above written questions as well as on our progress with forging closer relationships with our new and established MEPs.

## **9.0 Progress and Developments in relation to Council Tax, Scottish Welfare Fund, Discretionary Housing Payments, Universal Support Services Delivered Locally, Empty Homes Policy, Information Management, Customer Service Centre, Registration, Digital Agenda and Admin Review.**

### **9.1 Local Tax Collections**

Collections of Council Tax to the end of October stand at 66.23%, which is 0.46% down on last year at this time. As previously reported at the end of August, the collection figure was down 0.27%, so there has been some deterioration here. Sheriff Officer collections for 2014/15 are down by £207k (0.36% on collections) because the first summary warrant was issued three

weeks behind schedule this year, due to a delay in awarding the new Sheriff Officer contract, and because more of their collections are being allocated to 2013/14 where these are up by £170k. Despite the Band D charge remaining the same as last year, the total net council tax charge has increased by £1.1m and we have collected in absolute terms in excess of £0.5m more than at this time last year. The main reasons for the increase in charge is the premium on long term empty homes of £0.68m and a reduction in council tax reduction scheme relief of £0.18m (due to more people coming off benefit during this year), and only £0.2m is due to growth in gross billed due to new properties.

In contrast, collections are going well on the 2013/14 year, where 97.15% have been collected, which is 0.20% up on last year at this time. This is better than at the end of August, when the figure was 0.14% up. Because of the handover from the previous Sheriff Officer contract, more of these collections are allocated to older years than in the past and this is affecting collections of the current council tax year. This will not change until January, at which point we will have fully completed migration from the previous sheriff officer.

A contract has recently been awarded to Datatank to carry out a single person discount review. Around 1800 letters will be issued by them in November to those occupiers where other data suggests there is a need to confirm the single occupancy. Thereafter, there will be a review of new single person discounts twice throughout the year, followed by a further full review in 12 months' time. Payment is on a results basis, based on discounts removed. All queries will be handled directly by Datatank throughout the review process and a special local telephone number will be available.

Collections of non-domestic rates are 74.22% at end of October, which is down by 0.57% on this time last year. This is in contrast to the position at end of September which was 0.42% up. These figures are always somewhat volatile. The first summary warrant has now been run in November but is not reflected in these figures.

## **9.2 Scottish Welfare Fund**

In October, £32,011 was spent from the Scottish Welfare Fund, compared to the monthly profile of £36,796. Cumulatively, £206,492 has been spent for this year's applications compared to £217,448 profiled spend (95% of profiled spend). We also have a balance of £38,115 unused from last year's carried forward underspend. Low priority items are also currently being funded and have been since June. 17 community care grants currently await processing and a further 47 were part paid at the end of October. November and December are expected to be high spending months based on last year's experience and is likely to utilise the remaining underspend.

## **9.3 Discretionary Housing Payments**

£559,731 has now been either paid out or committed to the end of October. This has utilised all of the Department of Work and Pensions allocation of

£409,580 and used £150,151 of the Scottish Government allocation of £375,838. The vast majority of the under-occupancy cases have now had awards, although 56 cases still await processing. We are supporting medium and high hardship cases for all other priority groups. We expect to receive a much reduced sum from the Scottish Government next year, as distribution will be based on spend only on the under-occupancy cases. This is likely to affect our ability to support other priority groups next year. A report will be brought forward, recommending that any underspend this year should be carried forward to next year to enable us to support more of these cases in 2015/16.

The Discretionary Housing Payments (Limit of Total Expenditure) Revocation (Scotland) Order 2014 comes into force on 9 December 2014 and removes the cap on local authority expenditure on DHPs. This has no practical implication for us as we have not been close to the cap.

#### **9.4 Universal Support Delivered Locally**

Our trial was formally launched at the Oban Job Centre on 30<sup>th</sup> October. Building on existing partnerships, Argyll and Bute Council will liaise with local registered social landlords, the Department for Work and Pensions, NHS Highland and organisations such as Citizens Advice to reach a wide range of people who may need support ahead of the introduction of Universal Credit sometime next year.

Universal Credit will replace a number of current benefits. There will also be changes in the way that claims and payments are handled. It has to be claimed and managed online. Instead of receiving a number of different benefits – for example Job Seekers Allowance and Housing Benefit – people will receive one payment, made monthly in arrears. This means that those who make claims will need to have some computer skills, access to the internet and a bank account in order to receive their money. To cope with these changes to benefits, some people may also need IT support, budget and money management advice – and the Universal Support Delivered Locally scheme will help to provide this across Argyll and Bute.

Depending on individual needs, people will be able to access computers and IT training courses to help them manage their benefits and other tasks like creating a CV or applying for jobs online. They can get help to open a bank account if they don't have one, or work with a support worker on saving, budgeting and dealing with debt. The aim is to ensure that within a few weeks, people are fully equipped with the skills they will need to manage Universal Credit when it is introduced. Money management and computer skills are also useful for helping people back to work.

To meet the needs of the rural and remote communities across the area, Argyll and Bute Council has employed some innovative solutions for Universal Support Delivered Locally. Where broadband coverage is challenging, or where people cannot travel easily to a main town to use computers in libraries or job centres, the council has changed its IT infrastructure in other premises like school buildings so that they can be used



to provide training courses. More community learning tutors have been recruited and laptops made available for people to use.

I am pleased with the work our council is carrying out, jointly with our community planning partners and DWP on the Universal Support Delivered Locally trial. This will help to identify the most efficient ways of helping people in Argyll and Bute to gain any IT and financial budgeting skills they may need for Universal Credit, so that they are as well prepared as possible in advance of its introduction.

Argyll and Bute is one of two Scottish areas selected to run a pilot Universal Credit support service. Dundee is piloting a scheme aimed at people in urban areas while Argyll and Bute's scheme is meeting the needs of people in a mix of rural and remote communities.

#### **9.5 Benefits processing**

New claims processing year to date to end of October has taken on average 21.35 days which is well within the Scottish average of 27 days for 2013/14. Changes in circumstances in the year to date, to end of October, have taken on average 7.84 days which is also below the Scottish average of 9 days for 2013/14. In the last 3 months we have met our accuracy target of 95% although year to date we have only achieved 92.5%.

#### **9.6 Empty Homes Policy**

I previously reported that Argyll and Bute Council's work with Community Services on empty homes was short-listed for a national IRRV award in innovation. I am pleased to report that we secured a Silver award for this category against stiff competition from across the whole of the UK. As at end of October, our council had billed an additional £680,710 in double Council Tax charge. This has increased as many properties have now come to the end of their 6 months' transitional exemption period. There are a small number of double council tax cases going to the next Valuation Appeal Committee (VAC) in December.

#### **9.7 Information Management**

Good progress has been achieved with developing the Information Asset Register for Children and Families. This will now be rolled out to all other service areas. A presentation was made at the Chief and Senior Officers meeting in Oban in November in order to brief all about the requirements for this. This will support the Information Management Strategy which has now been reviewed by DMT and SMT and will be brought forward to the Policy & Resources Committee for approval in due course.

#### **9.8 Customer Service Centre (CSC)**

Co-mingled Waste has now gone live in one area. As a result in October the CSC answered 1,249 more calls on the roads & amenity services golden number than in September. In total 10,827 calls were answered in the month. The increase in call volumes pushed the call abandon rate up to 11.35% but this is expected to settle back down in November.

We are carrying out a consultation as part of the work in developing a new Customer Services Strategy. The outline proposals will be presented to members at a seminar on 1 December and their comment and input will be very much welcomed. This will then come to the Policy & Resources Committee in due course for approval. Members previously approved us joining in a collaborative procurement for a new CRM system to be led by Highland Council. Aberdeen City and Western Isles councils have both also indicated a desire to join in. A draft business case has been developed and has been reviewed by the Customer Service Board.

### **9.9 Registration**

We are now starting to get some enquiries about same sex marriages although officially December 15<sup>th</sup> will be the first day for these to be taken, with the first same sex marriages able to be carried out on 31 December.

### **9.10 Digital Agenda**

The Socitm “Better Connected” assessment was carried out at the end of October just before we had to take the website down for much of 31 October due to a Drupal security alert. As a result of the alert to the potential for our website being compromised, we rolled it back to a version from 14 October and lost two weeks’ work which is now being restored. This was done as a safeguard even though there was no evidence that our website had in fact been compromised. This affected about 5% of all websites worldwide and is the first time such an event has potentially affected our website. In order to minimise this occurrence in future, we will investigate options for external hosting of the website, although this will undoubtedly be at an added cost. This also affected the new Islay High School website which had just gone live, but little content was lost. We will not hear the results of the Socitm assessment until early next year.

The Chief Officer and Senior Officers (COSO) meeting in Oban on 5 November was themed around ICT and digital. This was an important part of progressing the decision by Policy & Resources to adopt “digital first” and highlighting opportunities to do “more with less” and “new with less”.

### **9.11 Admin Review**

The centralised mail handling project is now live for all of Customer Services in Kilmory and went live for Manse Brae on 8 October. Whitegates is due to go live towards the end of November. The mail handling and scanning is being carried out by two Modern Apprentices based in Kilmory.

School spend through the education purchasing team is starting to increase. A review is being undertaken of the level of spend through purchase cards and on the level of retrospective ordering, both of which look to be high and with potential for improvement. The saving in quarter 2 for the travel team was £15,160 and for the construction team it was £26,395.

### **9.12 Procurement Update**

Our Procurement and Commissioning team was shortlisted for two Government Opportunities (GO) Scotland awards. The IT recycling and

disposal contract reached the Sustainability/Corporate Responsibility category shortlist, and their work on setting up small centralised purchase ordering teams made them a finalist for the Local Authority Procurement Team of the Year award.

The Council had its annual Procurement Capability Assessment in October and scored 72%, up from 63% last year. This shows the team has continued to improve our procurement processes to achieve best value for the council and is a huge improvement from the first score of 21% in 2009. Particular strengths are strategy and objectives, defining the supply need and people. Formal contract management is being introduced for all large or high risk contracts. The Council now has a Sustainable Procurement Policy in place, with community benefits being formally considered for all contracts with a value of over £350,000.

Councillor Dick Walsh, Leader.  
18 November 2014

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**ARGYLL AND BUTE COUNCIL**  
**POLICY LEAD REPORT**

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**COUNCIL**  
**27 NOVEMBER 2014**

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**REPORT BY POLICY LEAD COUNCILLOR FOR ADULT CARE**

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**1. INTRODUCTION**

This is my Second report as Policy Lead for Adult Care and it spans the period 1<sup>st</sup> March 2014 until 31<sup>st</sup> November 2014.

I would, firstly, like to pay tribute to the efforts of all our staff who are working on the Council's behalf to deliver front line services to the most vulnerable citizens in Argyll and Bute. I would like to make special mention of the Head of Service, Mr Jim Robb, who continues to be very supportive to me in this Portfolio.

I would like to thank Elected Members for their co-operation with my emailed request to direct operational issues directly to Area Service managers. This has allowed concerns to be dealt with at the appropriate level, providing the opportunity to resolve issues, where possible and at an early stage, within the appropriate service. I would like to further endorse that Elected Members continue to make use of this protocol, but as stated, Mr Jim Robb is always available if there is a requirement for him to intervene and I too would be more than happy to assist with members' issues when required.

**2. RECOMMENDATIONS**

It is recommended that Elected Members note the contents of this report.

**3. UPDATE**

**2.1 Cowal and Bute – Locality Issues**

The provision of care home services for the Island of Bute is currently in consultation linked in with the Reshaping Care for Older people. This is an important piece of work for the council and particularly flagged up on the island of Bute. Health and Adult care will take this issue forward to produce a blueprint for provision of a robust service for Bute. Health and Adult services are currently working together to consult on the model of care with the potential option of Joint Health and social care campus being a model of national exemplar which will engage with our communities. This will in effect take time but in order to provide the model for Bute that is what our community want we have to invest time to do this. In Cowal there have been specific concerns raised by members regarding the commissioned services by the council for care at home and that there may be breeches of the contract.

The commissioning team have been active in obtaining specific evidence to take to providers to allow scrutiny of claims. This has involved obtaining information from potential breeches and questioning care providers. There are sensitivities surrounding this process as staff who may be involved feel vulnerable in their employment. With the evidence presented to date the commissioning service are pursuing this issue with the available information presented to the Head of Service.

**2.2 Helensburgh and Lomond – Locality Issues**

There are no specific issues I have been involved in to date

**2.3 Mid Argyll Kintyre and the Islands– Locality Issues**

There are continuing problems with recruitment to the service despite this being kept within the council which is having an impact on the provision of service Alison Hunter Area Manager is attempting to recruit but his is proving difficult. It has to be highlighted that in the care sector this is not unusual and this is a national problem.

Greenwood Residential Centre in Campbeltown has had a recent report from the Care inspectorate which has required a detailed action plan to be drawn up and monitored. This was following a change in registration of Greenwood from a care home to tenancies with housing support/care at home. The action plan will be managed by the Area manager.

**2.4 Oban Lorn and the Islands– Locality Issues**

The provision of care at Bowman court is currently being reviewed as part of an improvement process by Gordon Murray (temp cover to service manager) The local community are actively involved in the review and will continue to feed into a local group set up for communication purposes. There have been challenges to the integration agenda however this may prove to be a useful experience to learn from as the reshaping care and integration agenda is rolled out within Argyll and Bute. I attended a recent staff meeting where staff are committed to work together to support the vulnerable people on the island

**2.5 Other Issues**

Given the increase of care provision at Home the financial consequences are increasing and Head of Service Jim Robb is managing and there will be a report to the December community services committee the regarding this area of business.

Health and Social care Integration is moving forward, the four councillors who have been elected to the shadow board are Cllrs Anne Horn, Mary Jean Devon, Elaine Robertson and I. At the first Board meeting I was elected and Chair of the Shadow Board which will become live for a period of 2 years with Robin Creelman as vice chair.

I will be going to Fortnightly telephone contact to supplement the face to face meetings with head of service Jim Robb. For next year there is a plan to continue to visit residential units twice per annum.

**Councillor Dougie Philand**  
**5 November 2014**

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**ARGYLL AND BUTE COUNCIL****COUNCIL****POLICY LEAD REPORT****27 NOVEMBER 2014**

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**REPORT BY POLICY LEAD FOR CHILDREN AND FAMILIES**

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**1.0 INTRODUCTION**

The report outlines the tasks undertaken by the Policy lead for Children and Families across 2013/2014. It has been a year where a number of activities have been implemented and achieved significant success. Within the Children and Families Service there has been learning from specific cases, however, overall it has been a positive year.

**2.0 RECOMMENDATIONS**

It is recommended that the Council notes the contents of this report.

**3.0 DETAIL**

- 3.1 It has been a busy year as Policy Lead for Children and Families. The Children and Families Service Review has been completed and is being implemented. It has been challenging identifying savings whilst looking at improving front line services. There have been some high profile cases within the Service and learning across partners for a few cases.
- 3.2 Criminal Justice Community Payback Orders continue to offer opportunities for unpaid work for offenders in local communities. Unpaid work activity in Argyll and Bute has attracted positive press coverage in Helensburgh and the Lomond area.
- 3.3 The establishment of the Corporate Parenting Board has ensured that the Council and partners are delivering on outcomes for our 184 looked after children. WhoCares Scotland support an ex- care leaver from Argyll and Bute who attends and contributes to the Corporate Parenting Board. Argyll and Bute's young people have highlighted the need to access free leisure which the Corporate Parenting Board is actively pursuing.

As the chair, I would like to thank local children's' champions Councillor Robertson, Councillor Marshall and Councillor Corry and Councillor MacAlpine for their valuable contribution to the success of the board.

As the chair of the board, there have been a number of achievements including developing support for looked after children, tracking educational attainment and establishing a framework for driving lessons for ex-carers leavers. Argyll and Bute is the first local authority to establish this framework. The board is also actively involved in overseeing the project to replace Dunclutha Children's house in Dunoon. The board engages with a wide range of partners to prioritise the needs of looked after children in Argyll. Our young people who are currently in care or care leavers have hosted consultation events and produced a DVD to tell the Corporate Parenting Board what they want from us and how we can help them in the future. The board has produced a DVD for the young people explaining how the board works and how we undertake our role as corporate parents. I continue to meet with young people through these consultation events and visits to the Children's homes. The resilience of these young people continues to impress and as a Council we should be impressed by the quality of care they receive. All three Children's homes continue to be graded "very good" or above by the Care Inspectorate. Argyll and Bute has high quality foster carers who are committed to caring for vulnerable children. Argyll and Bute have undertaken a fostering campaign to recruit new foster carers, particularly in Helensburgh.

- 3.4 The recent fostering and adoption inspection graded services "good" across all quality indicators.
- 3.5 The Children and Young People Bill has a number of opportunities and challenges. The move from 475 hour childcare to 600 hours was successfully managed and supported by the Early Years team. The additional spend of £503,000 capital and £842,000 revenue required to make 600 hours implementation happen was a significant costing. Across the summer, Facility Services have worked tirelessly to undertake the capital work required to make pre-school establishment ready for the implementation. There are significant costs attached to delivering a service to 18-25 ex-carer leavers as part of the Bill, in addition to the extra support promised to Kinship carers. The increase in service demand could be up to 40% and could potentially costs £3.2 million. COSLA negotiations on funding are still underway with the Scottish Government with no indication of allocation. There are potential risks to the Council on how we will finance our statutory obligation if these initiatives are not fully funded.
- 3.6 The Early Year Collaborative is an approach outlined by the Scottish Government to achieve their vision of "ensuring Scotland is the best place to grow up and live". In Argyll and Bute we have appointed a program manager and developed a new approach across all services to identify and support families. The Kintyre Pathway is looking at identifying and providing support to families from birth across their lifespan, it is unique across Scotland. Argyll has attracted funding of £100,000 from the Scottish Government for a public partnership run by Children1st and is delivering parenting support in Helensburgh. In addition, Argyll is piloting a Psychology of Parenting programme with parenting support for parents of 3 and 4 year olds being offered in every locality. I have had contact with individual families who requested housing and financial support. Guiding families to housing

providers and income maximisation providers has helped these families' circumstances. However, housing remains a significant issue within Oban and the island areas.

- 3.7 It has been a year with a number of successes for the Children and Families service. The commitment and hard work of the staff is a credit. As we move forward there are new challenges with Health and Social integration and Criminal Justice redesign. As a member of the Shadow Integration Board for Health and Social Care I will be actively involved in the governance to take forward the new model of Health and Social Care integration. The Community Planning Partnership, who will be responsible for Criminal Justice, will need to work across the next 2 years to ensure the smooth transition for the Criminal Justice Service.

Engaging with staff, elected members and communities will be key to the success of these initiatives.

#### **4.0 CONCLUSION**

As the Policy Lead for Children and Families, it has been an exciting and busy year. During 2013/14 the service has continued to develop and improve. The Corporate Parenting Board has achieved a number of successes, however, there is still more to do. The most vulnerable children and families in Argyll are supported through the service. We have as responsibility as elected members to ensure they have the best possible service. As the Policy Lead, I undertake the task with enthusiasm and commitment. In 2015/16 the new challenges of Health and Social Care integration will mean more engagement with children and families to make sure we are getting it right.

**Councillor Mary Jean Devon**  
**Policy Lead – Children and Families**  
04 November 2014

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REPORT BY POLICY LEAD FOR EDUCATION, LIFELONG LEARNING & STRATEGIC IT SERVICES
 

---

**1. INTRODUCTION**

- 1.1 This is my second report as Policy Lead for Education, Lifelong Learning and Strategic IT Services, and covers the period from 14<sup>th</sup> April 2014 to 7<sup>th</sup> November 2014.

**2. SCHOOLS**
**2.1 Visiting Schools**

I have continued my programme of visiting our schools to meet Head teachers, see our policies in practice and make sure I am fully aware of the specific challenges and opportunities that individual schools are dealing with. Since my last report I have visited:

Ardrishaig Primary; Campbeltown Grammar; Castlehill Primary; Dalmally Primary; Drumlemble Primary; Furnace Primary; Garelochhead Primary; Hermitage Primary; Kilcreggan Primary; John Logie Baird Primary; Minard Primary; Park Primary; Rhuanahaorine Primary; Rosneath Primary; Strachur Primary; Tarbert Academy

These visits help to keep me informed on implementation of policy, our ongoing capital improvement programme and see how our very diverse schools operate.

**2.2 Physical Education**
***PE – 2 hours***

There is increasing progress across all Argyll and Bute schools in achieving the recommended two hour of physical education (PE):

- In the 2012 Healthy Living Survey 83% of Primary Schools were achieving 2 hours of PE a week and 100% of Secondary Schools were achieving the target.
- In the 2013 Healthy Living Survey 87% of Primary Schools were achieving 2 hours PE a week and 100% of Secondary Schools were achieving the target.

In the 2014 Healthy Living Survey 98% of Primary Schools were achieving 2 hours PE a week and 100% of Secondary Schools were achieving the target

Following the initial results of the 2012 Healthy Living Survey a comprehensive Continuing Professional Development programme was put into place working with schools to assist in further developing and improving the quality of PE programmes. This included:

- Curriculum Development in schools (mainly primary) working with teachers and their classes, exemplifying good practice, introducing Significant Aspects of Learning (SAOL) – planning and assessment round that;
- Twilight training sessions in PE, that offered practical sessions on dance, gymnastics – using Education Scotland PE Development Officers. Introduction to Better Movers and Thinkers (BMT– new concepts);
- Probationers – delivering on PE at probationers conference, followed by visits to schools to work in conjunction with them and their class and observed lesson to identify next steps in learning in PE;
- Peripatetic PE teachers 2 day conference to update staff/introduce new concepts and a

specific conference for teachers obtaining the Post Graduate Certificate (PGC) in Primary PE;

- Secondary PT's – SAOL and assessment in core PE (in conjunction with Education Scotland);

Disability inclusion training in the following areas: Rosneath Peninsula, North Lorn and South Kintyre delivered by Sports Scotland Disability sport.

### 2.3 **School Sports Awards**

A number of Argyll and Bute schools participated in the recent pilot programme for New Schools Sports Awards alongside schools from East Lothian and North Lanarkshire Councils. In these awards which brought together PE and Personal Achievement 4 schools achieved gold awards – Arinagour Primary, Salen Primary, Park Primary and Campbeltown Grammar, with a further 12 schools achieving silver awards and 11 schools recognised at bronze award level.

### 2.4 **iCycle**

While visiting Rosneath Primary School in June I was fortunate enough to be able to see pupils being assessed for their iCycle award. The iCycle programme was developed by the Council in conjunction with North Ayrshire Council as the national resources were not felt to be appropriate for use in rural areas. The iCycle website, which features film clips and links to the Curriculum for Excellence, is proving popular with trainers and teachers. iCycle recently won the Scottish Rural Parliament Award for Transport and Infrastructure, a Bronze Award in the Council's Excellence Awards and was shortlisted for a Scottish Transport Award earlier in the year

### 2.5 **Maintenance of School Estate**

In May I opened the new extension at Hermitage Primary. This project involved the creation of new classrooms and activity space as well as upgrading the playground at a total cost of £770,000. This was one of the larger projects undertaken as part of the service development section of the education capital programme. Regular updates on the education capital programme come to the Policy and Resources Committee.

When I visited Campbeltown Grammar in May I was able to see for myself just why the Council needs to invest in building the planned new replacement school. The development of a modern, fully equipped secondary school will support future generations of children to learn and realise their potential in Kintyre.

### 2.6 **Eco Schools**

Schools in Argyll and Bute continue to be actively involved in developments of Outdoor Learning. Some examples of the work taking currently taking place include:

- Dunoon Primary Gardening Club who grew potatoes and delivered them to the local health food shop to be sold
- As part of Forest Schools Kilmartin Primary cooked some porridge on an open fire
- Strath of Appin Primary School's picnic took the form of a Harvest lunch this work was part of The One Planet Picnic. It is designed to raise awareness of where food comes from, and how it is produced

Currently 10 schools are involved in Food for Thought Project with Education Scotland – Castlehill, Dalintober, Campbeltown Grammar, Hermitage Primary, Parklands, Lochgilphead Joint Campus, Strachur, Tighnabruich and Toward. his work is linked closely with promoting health eating and the growing of food.

When I visited Rhuanahaorine Primary the school had just recently received their second Green

Flag as part of the Eco Schools programme. 53 of our schools now hold Green Flag Status. In addition, 12 schools are involved in the Adventure Learning Programme designed to enhance a joined up approach to outdoor learning

## 2.7 ICT in Schools

Schools across the authority continue to make good progress in the use of ICT across learning. Key projects include: development of Computer Science, App Development and Robotics disciplines in interdisciplinary contexts in schools.

### ***Primary School - Engagement and Achievement***

Over the last year the Argyll and Bute Learning Technologies Team have been providing additional, exciting, computer science related learning opportunities for young people at primary level. The project aim is to capture the imagination of young people, to showcase what can be created and inspire learners to develop their skills and knowledge through the use of technology. Over 50 primary schools have been supported to engage them in computer programming related projects. Pupils are demonstrating increasing enthusiasm and passion in learning and technology. 97% of the young people have fully engaged with activities such as Kodu and have shown a real desire to learn the basics of computer programming.

Argyll and Bute, and specifically Cardross Primary School, gained National recognition at the recent National Kodu Cup, where they became the first Scottish school to be invited to the UK finals in July 2014. Cardross pupils competed against 11 other schools from across the UK at Microsoft's HQ in Reading and won the Judges Award. Microsoft said "*...the quality of the 160 games that were entered into the competition was outstanding and your games were voted the best by our judging panel.*"

### ***Secondary School – Raising Attainment***

A Pilot project - Using Tablet Technology to Support Raising Attainment in English and Maths – Hermitage Academy, has been established. The project aims to raise attainment by transforming pedagogical approaches to Maths/English in the senior phase of the school curriculum (S4 –S6). It should also improve and modernise the overall quality of IT resources available for pupils in their learning, provide high quality digital interactive content accessible to other students in Argyll and Bute (potentially Nationally) and assist staff in constructing increasingly flexible curriculum course materials to meet the range and diversity of learning styles.

In addition the use of tablet devices and digital authoring software aims to: provide long term savings in the use of paper printed materials; provide pupils with the insight to further develop digital skills necessary for joining a competitive digital workforce; strengthen home - school partnerships and enhance the image of Argyll and Bute Education Service as sector-leading nationally and globally. Pupil devices were introduced to the entire 4th year cohort at the end of October.

### ***Lync***

The Lync Pilot project at Tarbert Academy is now well underway. At the recent Secondary Headteacher meeting, school staff provided a full demonstration on the usage, value and impact of Lync across a range of school functions and activities. A planned, formal evaluation will now be conducted to contribute to the development of a full business case for Lync roll-out across all authority schools.

### **3 OTHER EDUCATION AND LIFELONG LEARNING UPDATES**

#### **3.1 Head teacher meetings**

In May I attended both the Primary Head Teachers' Meeting and the Secondary Head Teachers' Meeting. These meetings covered topics such as Attendance Monitoring (sickness absence costs the Council significant sums of money but positive steps have been made in relation to teacher absence) and the updated Anti-bullying policy.

At the Secondary Head Teachers' meeting there were discussions around the new qualifications and how each school was managing the implementation of this final phase of Curriculum for Excellence. It was also highlighted that the appeals process for SQA exams has been significantly revised. There are now two options available for appeal. The first is an exceptional circumstances consideration which can be asked for in advance of results being published, for example if a pupil has been ill. Once results have been published there is a post results service available which will allow for either a clerical check or a marking check to be made – this service will not allow for a re-marking of the paper and if the grade is not changed as a result there will be a charge for the service

In September I spoke briefly to newly appointed Head Teachers at a meeting in Inveraray. These meetings offer new Head Teachers the opportunity to gain knowledge and understanding of the policies and procedures of the Education Service. During the two day event the newly appointed head Teachers covered a variety of topics including finance, personnel, child protection, leadership, and also gave time to network with colleagues.

#### **3.2 COSLA Education, Children and Young People Executive Group**

Since my last report I have attended two COSLA Executive Group meetings. The meeting on 19<sup>th</sup> May included the following items:

- (Public) Presentation by Scottish Children's Reporter's Administration; Permanence Planning for Looked after Children; WithScotland; Nominations to the General Teaching Council for Scotland; Language Learning 1+2 Approach
- (Private) Early Learning and Childcare for Two Year Olds; Free School Meals for P1-P3 Pupils; Commission for Developing Scotland's Young Workforce; Draft Audit Scotland Report – School Education; Proposed School Capacity Guidance for Primary Schools; National Frameworks – Children's Residential Care Services and Foster Care; New Standards for Practitioners in Residential Child Care

The meeting on 3<sup>rd</sup> September included the following items:

- (Public) Presentation from the Royal College of Speech and Language Therapists; Commission for Developing Scotland's Young Workforce; Looked After Children Update; Educational Attainment
- (Private) Kinship Care Allowances; Education Bill; Capital Funding for Free School Meals and Early Learning and Childcare; Review of Early Years Workforce; Language Learning a 1+ 2 Approach; National Frameworks: Children's Residential Care Services and Foster Care

Papers for the items taken in public session are available on the COSLA website



### 3.3 **Argyll College**

I have attended meetings of Argyll College Board on 16<sup>th</sup> June and 22<sup>nd</sup> September. At the meeting in June the Board had the opportunity to meet Clive Mulholland, the new Principal of the University of Highlands and Islands (UHI).

I had highlighted in my previous report that the Council and Argyll College were exploring the possibility of delivering a teaching qualification within Argyll and Bute. The Council have entered into a partnership with Argyll College and UHI to deliver a PGDE (Primary) based in the Oban Campus from August 2015. The students will also have the option of the course being provided for Gaelic Education. The course is designed by UHI and meets the criteria required for Initial Teacher Education. The course will be delivered by VC and face to face tutorials. Registration will be open from December 2014.

This is a great opportunity for Argyll-based students, who currently hold a degree and meet all the course requirements, to study and become a teacher without having to leave Argyll. It also provides support to the Council in recruitment of Primary Teachers both in Gaelic and Mainstream.

### 3.4 **Local Negotiating Committee for Teachers (LNCT)**

Work continues to be taken forward through the LNCT engaging both the teaching trade unions and staff representatives. Since my last update one further meeting has taken place, focussing predominantly on the implementation of the Professional Update for all teaching staff (re-accreditation for all teachers with the general teaching Council for Scotland). Engagement in the Professional Update process is a requirement of all Fully Registered Teachers. The Education Service has now received formal notification from GTCS that their Professional development programme meets the expected standard.

In keeping with the spirit of the LNCT, it was agreed at the most recent meeting that a formal evaluation of the implementation of professional update will be jointly conducted in the future. This will allow for all Head Teachers to have engaged in an agreed Professional Review and Development (PRD) meeting. In particular, teaching staff will now be required to demonstrate that they have: (1) completed an annual update of their individual contact information, (2) engaged in ongoing self-evaluation against appropriate GTCS Professional Standards, and (3) have maintained a reflective record of professional learning and associated evidence of impact on thinking and professional actions. These requirements will be discussed with a line manager as part of the PRD process.

## 4. **STRATEGIC IT SERVICES**

Updates on developments in broadband/mobile coverage are available on the Council website: <http://www.argyll-bute.gov.uk/superfast-broadband>

### 4.1 **Broadband**

Commercial rollout of next generation broadband by BT delivered Argyll's first superfast broadband connections during May in parts of Helensburgh, since then additional properties have gone live in Oban and Cardross as a result of the commercial and public funded work. The number of premises connected is expected to increase quickly over the next six months to include the Ledaig and Taynuilt exchange areas. Work is also commencing in relation to the Balvicar, Connel, Dalmally and Kilmelford exchange areas which are expected to benefit from the superfast service during 2015.

Work continues on the backbone infrastructure which will extend next generation broadband across Argyll, during the summer specialist cable laying vessels were positioning the subsea cables which will form a vital part of this network, this work is expected to be completed by the end of November.

Community Broadband Scotland continue to work with local communities who are unlikely to benefit from the fibre rollout notably the Argyll Isles project which is currently going through a tendering exercise.

#### 4.2 **Pathfinder North 2**

The SWAN contract was signed by Highland Council (on behalf of all Pathfinder North partners) on 27 October. This step forward was discussed at the Convention of the Highlands and Islands meeting in Inverness on 30 October and a press release issued. Currently work is focussed on enabling requirements and transition, particularly opportunities to transition early and make some savings

#### 4.3 **Mobile Telephony**

The Department of Culture, Media and Sport have been reviewing the Mobile Infrastructure Project in light of issues arising with implementation elsewhere in the country. I attended a meeting in Helensburgh in October where it was confirmed that changes in criteria used to assess sites will result in changes to the locations proposed for Argyll and Bute. An update will be provided to members in due course.

The Scottish Government pilot on Coll has progressed as far as the build stage and they are currently waiting to connect into the mobile operators network on Mull. The new mast is expected to provide 4G coverage for the island.

A competition by Vodafone in relation to their Open Sure Signal product, which can provide a 3G mobile service, was highlighted to communities who were most likely to meet the criteria.

### **Appendix 1 – Broadband summary leaflet distributed at the Economic Summit**

**Aileen Morton**

**Policy Lead for Education, Lifelong Learning & Strategic IT Services**

**7<sup>th</sup> November 2014**



# Next Generation Broadband in Argyll and Bute

Connections  
now in  
Cardross,  
Helensburgh  
and Oban



**£145.8 million for Highlands and Islands**



**£264 million for Rest of Scotland**

Coming soon...  
Balvicar, Benderloch, Connel,  
Dalmally, Dunoon, Kilmelford and  
Taynuilt Exchange Areas

Delivered by BT  

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**Better connected for  
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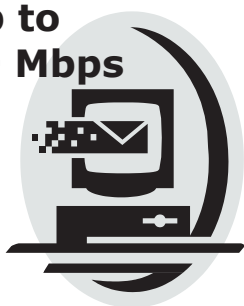


[www.argyll-bute.gov.uk/newsletters](http://www.argyll-bute.gov.uk/newsletters)

# 2014

**First  
properties  
within Argyll  
connected**

Up to  
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Community  
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supporting communities to develop  
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[www.communitybroadbandscotland.org](http://www.communitybroadbandscotland.org)

# 85%

of properties  
expected to be  
covered by  
2017



Interactive map coming  
soon—  
[www.digitalscotland.org](http://www.digitalscotland.org)

10 new subsea  
cables in Argyll  
and Bute area



[www.digitalscotland.org/faqs](http://www.digitalscotland.org/faqs)

[www.argyll-bute.gov.uk/superfast-broadband](http://www.argyll-bute.gov.uk/superfast-broadband)

# Highlands and Islands: Planned Rollout

**Legend**

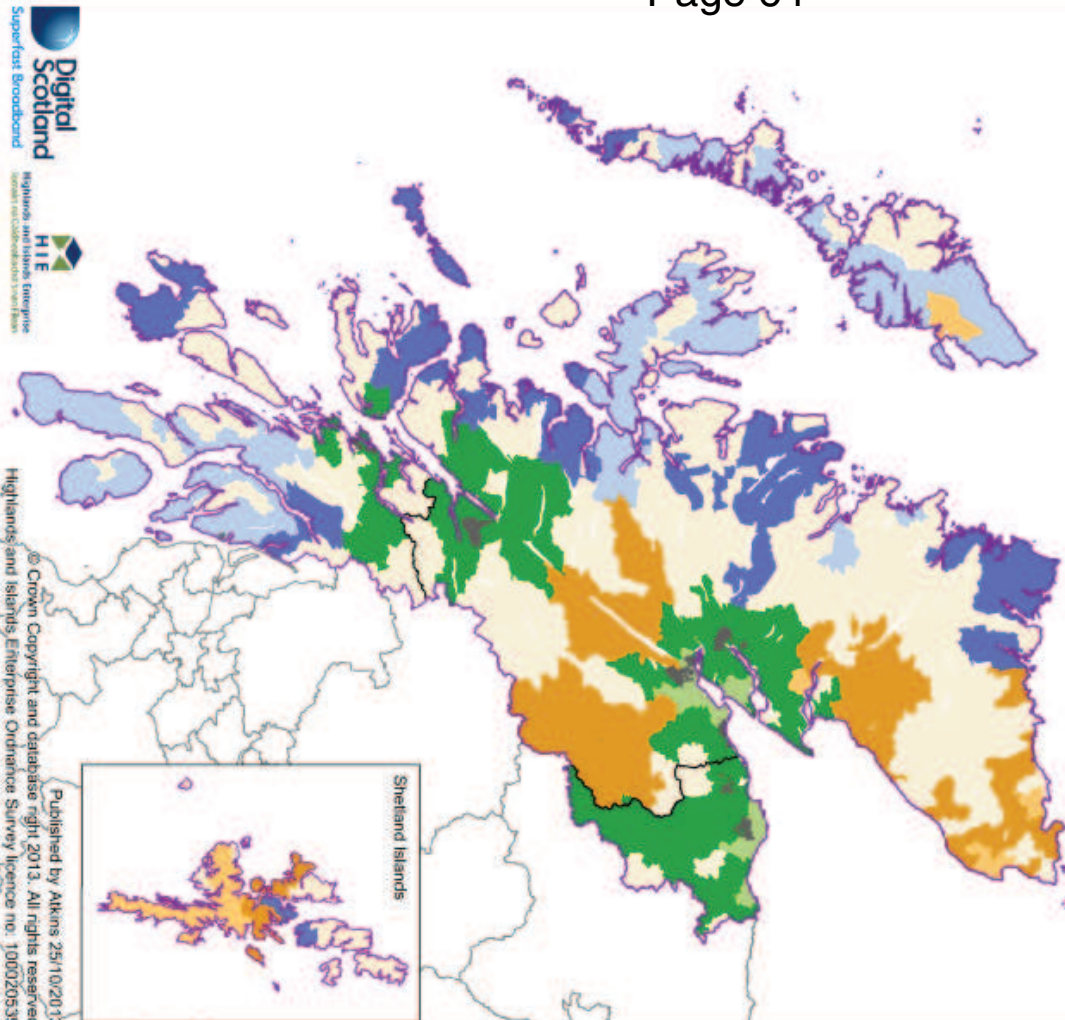
- Highland and Islands project boundary
- Local Authority Boundaries
- Fibre Rollout - January - June 2014
- Fibre Rollout - July - December 2014
- Fibre Rollout - January - June 2015
- Fibre Rollout - July - December 2015
- Fibre Rollout - January - June 2016
- Fibre Rollout - July - December 2016
- Under Evaluation
- Not included in Project (Commercial Coverage)

The information shown on this map is subject to survey and may change.

All information including forecast dates, is indicative only. Forecast dates may move forwards as well as backwards. In those areas marked "Under Evaluation" we are working to extend the coverage of fibre broadband and other technologies in these areas.

Premises within an area due to receive fibre broadband will not necessarily receive it at the same time due to different rollout technologies being deployed.

It is not necessarily the case that all premises in an upgraded area will receive an increased speed - different premises in that area may be served by different infrastructure.



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# Rest of Scotland: Planned Rollout

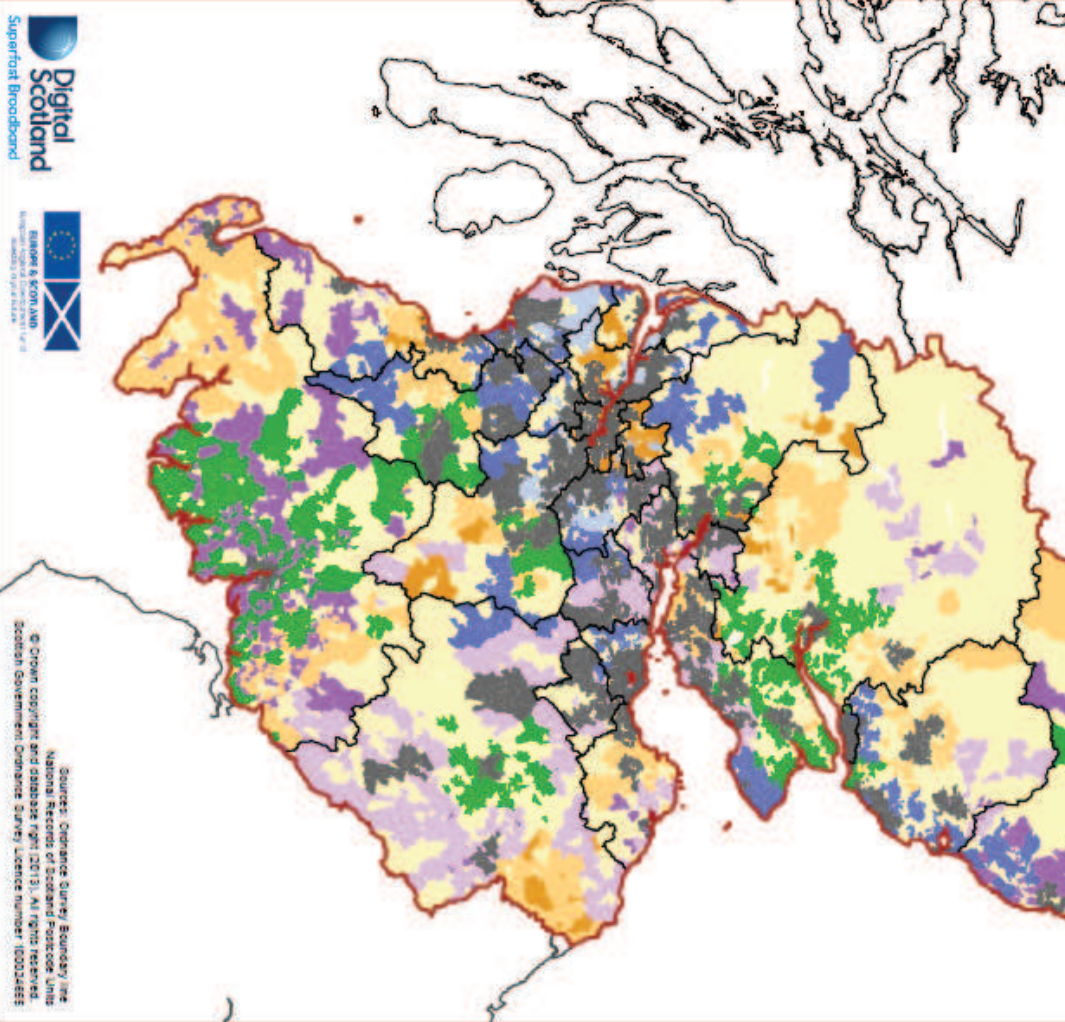
**Legend**

- Rest of Scotland project boundary
- Local Authority Boundaries
- July - December 2014
- January - June 2015
- July - December 2015
- January - June 2016
- July - December 2016
- January - June 2017
- July - December 2017
- Under Evaluation
- Not included in Project (Commercial Coverage)

The information shown on this map is subject to survey and may change. All information including forecast dates, is indicative only. Forecast dates may move forwards as well as backwards.

In those areas marked "Under Evaluation" we are working to extend the coverage of fibre broadband or use other technologies in these areas.

It is not necessarily the case that all premises within an area due to receive fibre broadband will receive it at the same time - different premises within that area may be served by different supporting infrastructure.



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**ARGYLL AND BUTE COUNCIL****COUNCIL COMMITTEE****COMMUNITY SERVICES****27 NOVEMBER 2014**

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**CHIEF SOCIAL WORK OFFICE REPORT 2013/14**

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**1. EXECUTIVE SUMMARY**

- 1.1 The Chief Social Work Officer is required to ensure the provision of appropriate professional advice in the discharge of local authorities' statutory Social Work duties. Part of the remit is to present an annual report to the council to highlight issues related to performance and strategic development issues in the context of national policy and changes in legislation.
- 1.2 The report has been delayed on this occasion to allow for the requirements of the Chief Social Work Adviser to the Scottish Government to be incorporated into the report. Future annual reports will be presented to the Council in advance of the summer recess.

**2. RECOMMENDATIONS**

- 2.1 The Council are asked to note the contents of the report.

**3. DETAIL**

- 3.1 This is a time of significant change in Social Work with legislative change relating to Integration with the NHS, the Children's Services and Self-Directed Support.

**4. CONCLUSION**

- 4.1 The attached report provides a summary of issues relating to the present performance and future challenges that will face the service during the next year and beyond.

**5. IMPLICATIONS**

- Policy:** None.
- Financial:** None.
- Personnel:** None.
- Equal Opportunities:** None.

**Legal:** None.

**Risk:** None.

**Customer Services:** None.

**James D M Robb  
Chief Social Work Officer  
27<sup>th</sup> October 2014**

**For further information please contact:**

**James D M Robb  
Head of Adult Care/CSWO  
Tel: 01369 7086627**



**Argyll & Bute Council**  
**Annual Report**  
**Chief Social Work Officer**  
**2013/14**

Main Author: James Robb, Head of Adult Care (CSWO)

## Foreword

Welcome to the annual Chief Social Work Officer report (CSWO) for the year 2013/14. 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.

Key principles that drive the Social Work service include:

- involving service users/ carers and the wider public in the development of quality care services
- ensuring safe and effective services; appropriate staff support and training.
- striving for continuous improvement with effective policies and processes in place
- ensuring accountability and management of risk

These principles will provide the core of the report and provides evidence to the Council that the Social Work service in Argyll & Bute continues to develop as required to meet the expectations of the community it serves.

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 service reviews and continue to respond to the expectations around new models of care and prepare for forthcoming legislation (covering areas such as the Integration of Health and Social Care, Self-Directed Support and the implementation of a new Children's (Scotland) Act). There are also key partnership activities such as the development of the Integrated Children's Services Plan and the development of joint commissioning plans with the NHS and community partners.

There is currently a national review underway of Criminal Justice has a significant impact on the Criminal Justice partnership. By 2016/17 responsibility for local strategic planning and delivery of community justice will transfer from Scotland's eight Community Justice Authorities (CJAs) to Community Planning Partnerships and the service is preparing for these changes

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 the two Heads of Service, managers and front line staff through team meetings, blogs and regular visits to locality offices. This framework complements systems in place to gain the views of service users and these arrangements

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are extremely helpful in ensuring that the experiences of those at the front line help to inform future policy and service developments.

The Integrated Children's Services Inspection reported on last year highlights a significant shift to joint inspection within the framework of Community Planning and will be duplicated in Adult care where the inspection will focus on partnership working and the delivery of services across the NHS, Police and Social Work in partnership with the Independent and Voluntary sectors. The initial Inspection, date yet unknown, will primarily focus on older person's services and will take place during either 2015 or 2016.

This annual report is structured along the lines of the main service responsibilities across Adult Care Children & Families and 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 consistent and seamless manner.

James Robb, Chief Social Work Officer

Argyll & Bute Council

September 2014

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## Understanding Our Community & Economy

Covering a land area of 690,899 hectares Argyll and Bute is the second largest local authority by area in Scotland after Highland (Census 2001). Argyll and Bute has the third sparsest population (averaging just 13 persons per sqkm) of Scotland's 32 local authorities (Census 2001, 2011) and has more inhabited islands than any other Scottish local authority .

There are 23 inhabited islands in Argyll and Bute (Census 2001). These are: Bute; Coll; Colonsay; Danna; Easdale; Elean da Mheinn; Erraid; Gigha; Gometra; Inchtavannach; Innischonon; Iona; Islay; Jura; Kerrera; Lismore; Luing; Mull; Oronsay; Seil; Shuna (Luing); Tiree; Ulva (Census 2001).

Services are directed through four main areas:

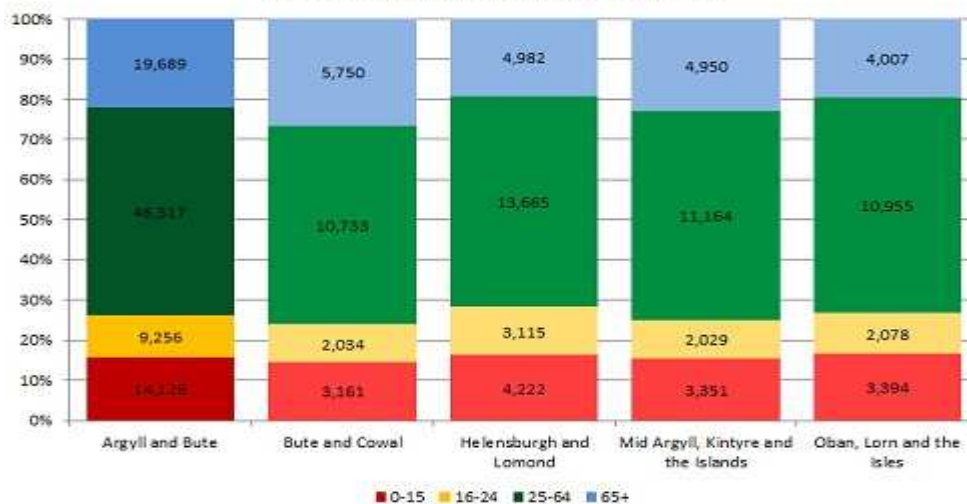
- Helensburgh and Lomond
- Mid Argyll, Kintyre and Islay
- Oban, Lorn and the Isles
- Bute and Cowal

### Population

The largest settlement in Argyll and Bute is Helensburgh, with a population of 13,660 (GROS' 2008-based Settlement Estimates). (This figure is for the Helensburgh locality. When combined with Rhu, the population for the 'Settlement of Helensburgh' is 15,430.) 52% of Argyll and Bute's population live in areas classified by the Scottish Government as 'rural' (Scottish Government Urban-Rural Classification 2009-2010; 2010-based SAPEs). 45% of Argyll and Bute's population live in areas classified as 'remote rural'; 7% live in areas classified as 'accessible rural'.

Almost 80% of Argyll and Bute's population live within 1 km of the coast. Approximately 97% of Argyll and Bute's population live between 0 and 10km of the coast (Scottish Coastal Forum (2002)).

**Population profiles of the four Administrative Areas**  
(Source: NRS 2011-based SAPEs)



## Economy:

Argyll and Bute's economy is predominantly service-based. Over 85% of employee jobs in the area are provided within the service sector. 14.9% of employee jobs in Argyll and Bute are in tourism-related activities (Office for National Statistics (ONS) Annual Business Inquiry employee analysis, 2008 data (NOMIS, May 2012)). Argyll and Bute has relatively high levels of employment in agriculture and fishing, and low levels of employment in manufacturing and finance.

Unemployment rates in Argyll and Bute are below the national average although, because of the high levels of seasonal employment in the area, rates vary according to time of year. Gross Value Added (GVA) figures show that Argyll and Bute's economy is performing less strongly than the Scottish average.

## Future Population Projections

Projected demographic trends for Argyll & Bute note a gradual and sustained reduction in the number of children and young people aged 0-16, against an increasing population of older people from 2014 to 2037.

Age Groups	2014	2020	2030	2037
<b>0-16</b>	14,518	13,691	12,926	12,243
<b>75+</b>	9,227	10,797	13,896	15,248

*Data Source- NRS 2012-Principal Population Projection for Argyll & Bute*

From this projected analysis it is evident that a key area of concern is that the combination of a widening population of older people in their retirement, coupled with a reducing young population. Effectively creates a situation in which those in working age will find themselves contributing more to support the demands of the widening older population.

National analysis of the economically inactive( retired) in Argyll & Bute notes that from October 2012 to March 2014 there has been a steady increase in the percentage of retired people from 23.5 % to 26.8%, against the Scottish average of 16.3% in March 2014 and a Great Britain wide average of 15.0% in March 14

Count Period	Argyll & Bute	A&B %	Scotland %	GB%
Oct 12-Sep13	2800	<b>23.5</b>	16.8	15.4
Jan 13- Dec 13	2600	<b>24.7</b>	16.0	15.1
Apr 13- Mar 14	2900	<b>26.8</b>	16.3	15.0

*Data source: NOMIS Economically Inactive Data Set –Retired, Argyll & Bute*

Recruitment difficulties into the social care and health sectors already has an impact on service provision and will continue to be challenge in future years. A wider challenge for Argyll & Bute will be the need for greater scrutiny and understanding of the positive role that older people will have within this evolving demographic social structure. Positive change for older people in terms of healthy lifestyles and taking lead roles in the wider community is an essential element of sustaining the changing population.

## **Statutory Functions**

### **Context**

"The social work profession promotes social change, problem solving in human relationships and the empowerment and liberation of people to enhance well-being. Utilising theories of human behaviour and social systems, social work intervenes at the points where people interact with their environments. Principles of human rights and social justice are fundamental to social work" .

While not exclusive to social work, promotion of personalised solutions has always been important; engaging with people who use support or services, carers, families and communities being the hallmark of effective social work practice. Personalisation is a key means of ensuring that people have the support or services that meet their needs and priorities and address their personal circumstances. The promotion of Citizen Leadership supports this as does a focus on outcomes rather than process or procedure.

### **The Role of the Registered Social Worker in statutory interventions**

Local authorities have a statutory responsibility to promote social welfare and partnership working is key to providing high quality and effective support and services. In protecting and promoting the welfare and wellbeing of children, adults at risk and communities, statutory powers may be exercised to address very serious, complex issues. This requires balancing competing needs, risks and rights. In these circumstances, given the far-reaching significance of the decisions being made, it is important that accountability for the exercise of these functions should rest with a registered social worker.

Some tasks required in respect of statutory interventions may be undertaken by others than a registered social worker. However, final decisions/making recommendations for statutory intervention drawing on information held by others and work done by them as appropriate, lies with the accountable registered social worker. All social service workers must be able to explain and account for their practice and to have their thinking challenged appropriately . Registered social workers are accountable for their own competence and performance and that of those they line manage. Where they don't have line management responsibility for others who may be involved, accountability for competence and performance remains with the individual and their employer. However, the registered social worker does have responsibility for helping ensure everyone plays their part in discharging their role in respect of the statutory intervention.

### **Care and Protection**

Careful and complex decisions as to when and how there may be intervention in the lives of individuals and families may have far-reaching consequences for those concerned and fundamentally affect the future course of their lives. A number of agencies and professionals will contribute to the process. However, it is important for the assurance of all involved, that accountability for these important decisions and the subsequent exercise of statutory functions lies with a suitably qualified and trained professional - a registered social worker.

**Statutes:**

Adult Care Services provide statutory functions subject to the following legislation:

1. Social Work (Scotland) Act 1968
2. National Health Service and Community Care Act 1990
3. Adults with Incapacity (Scotland) Act 2000
4. Adult Support and Protection (Scotland) Act 2007
5. Mental Health (Care & Treatment) (Scotland) Act 2003

Children & Families directly provide or commission support, protection and care for vulnerable children, young people and their families.

Children & Families provide statutory functions subject to the following legislation:

1. Children Scotland Act 1995
2. Children and Young Person (Scotland) Act 2014
3. Social Work (Scotland) Act 1968
4. Regulation of Care (Scotland) Act 2001
5. Protection of Children (Scotland) Act 2003
6. Public Bodies (Joint Working) (Scotland) Act 2014
7. Children and Young Person (Scotland) act 1937

The implications of the Children and Young People's (Scotland) Act 2014 for Children and Families are the enshrining of the Getting it Right for Every Child (GIRFEC) approach in law, the introduction of new children's rights and children's service planning, increasing the provision of support to those in care and care leavers.

Criminal Justice Services provide statutory functions subject to the following legislation:

1. Social Work (Scotland) Act 1968, S.27 provides legislative basis for criminal justice social work – advice to Courts and support of offenders etc.
2. Criminal Procedure (Scotland) Act 1995, lays out basis for the work we do and how we go about doing it – Court reports, sentencing options, through care etc.
3. Criminal Justice and Licensing (Scotland) Act 2010 introduced Community Payback Orders through amending and inserting new sections into the above act.



4. Management of Offenders (Scotland) Act 2005, introduced MAPPA for the management of high risk offenders

In addition there is key sex offender legislation:

- The Sex Offenders Act (1997) introduced registration for sex offenders
- Protection of Children and Prevention of Sexual Offences (Scotland) Act 2005 introduced new definitions in respect of offences against children, addressed grooming behaviour and brought in Risk of Sexual Harm Orders (RSHO) designed to be preventative rather than reactive.
- Sexual offences (Scotland) Act 2009 introduced new definitions for sexual offences against adults, including sex trafficking, date rape, consent etc.

## **Adult Care Services**

### Introduction

#### Management Structure:

The management of Adult Care services consists of distinct management responsibilities for key areas of the service, as presented in the supplementary information (Page 43) with third tier service managers in place for:

Older people: Service Manager's remit being the re-design and development of services combined with a remit for improvement and inspection for the care homes, day and home care services.

Learning Disability: Service Manager's remit being the re-design and development of services combined with a remit for improvement and inspection for day services.

Operational Services: Service Manager who has overall responsibility for assessment and care management and the direct management of the local Area Managers.

Adult Care directly provides or commissions support, protection and care for vulnerable adults and adult with a range of disabilities whether it is associated with mental health, learning disability, sensory impairment or old age.

#### Service Expenditure:

For the year 2013/14, the revenue expenditure for Adult care Services was £42,289,037. The most significant costs during the year were;

Home care:	£10,006,365
Council care homes for older people:	£3,911,491
Commissioning care homes for older people:	£7,411,019
Supported living for learning disability:	£5,912,797
Commissioning care homes for learning disability:	£1,967,600
Assessment and care management:	£3,063,573

### **Adult Care -Key achievements:**

- Balance of Care for Older People: Performance continues to improve with on average 76% of service users cared for in the community against 24% in care homes /NHS continuing care beds. This was against a stated target of 80/20 in favour of care at home. ( July 2014 data)
- Sustaining a high level of performance in Delayed Discharge at a time when the number and dependency levels of those service users coming through the system continues to increase while recruitment into home care and key NHS community posts becomes increasingly problematic.

- Waiting list for Free personal Care at Home remains very low. This is at a time when the majority of council services were externalised (January 2013) and recruitment across the sector remains problematic.
- Number of Direct Payments continues to be relatively high though below target. Performance continues to be within the top quartile across Scotland.
- Number of Enhanced Telecare packages in use continues to rise while assisting service users to remain at home in safety with appropriate supervision.
- Implementation of “Talking Points” system which provides service users and carers a robust opportunity to comment on the personal outcomes achieved via the service provided. This will be added to the updated Adult scorecard for 2015/16.
- Introduction of Home Care Commissioning and Monitoring Staff who will have the responsibility for cost effective home care procurement and provides new capacity for spot visits to assist in determining the quality of care provided by home care services
- The development of Extra Care Housing in Helensburgh & Lochgilphead during 2013-14, supplementing the services developed on Mull and Jura, provides modern flats designed to assist with the care of older people ranging from low to high dependency. The purpose built facilities combined with community home care, nursing and Telecare services will provide a direct alternative to care home placements and positively impact on the Balance of Care favouring care at home.

## Older People's Services:

### Reshaping Care for Older People

Across RCOP we have developed an asset based approach to develop clearer understanding of the range of activity and resources available in each locality and how this best informs future investment opportunities. It provides the potential to gauge how communities can contribute to increase and maintain independence, promote health and well-being and increase social contacts out with the formality of social care.

Staff across community resilience work stream link and work with other work streams –for example Living It Up and Falls Prevention where this improves capacity and scope and impact of preventative measures

The role and participation of carers and the third sector as equal partners was a strong influence in the production of the Joint Strategic Plan for Older People. The model for this will be brought into our approach in the development of Joint Strategic Plans for all Integrated Services.

We work closely with all Carers Centres and some services are jointly delivered for instance we commission the Carers Centres to undertake carers assessment through the funding of carers assessment workers – Since June 2014 150 carers assessments carried out through carers centres ( all ages ). More recently we have funded Carers Centres to allow them to deliver on outcomes following assessment through the allocation of a flexible respite budget.

Our adopted Model of Care has at its heart a drive for people to be supported un their own communities and in line with their preferences for as long as possible. We see as fundamental to this , the redesigning of care systems, ongoing investment in community based model as and a shift away from institutional care alongside the design of and evaluation individualised care arrangements with service users .

### Model of Care

The agreed model of care agreed by the Health & Social Care Partnership is as follows:

#### Care at Home:

Preferred model of service user choice where safe and financially sustainable

#### Extra Care Housing/Sheltered Housing:

Where the design of service users homes are unsuitable for the safe provision of care service users are increasingly offered the option of alternative housing to the option of a care home placement

#### Care Homes:

Care homes are increasingly provided for high dependency service users where specialist dementia care and end of life care are the focus of the service.

## Care at Home

Statistically Argyll & Bute social work services have continued to support more people to live at home with a year on year increase in the number of people aged 65+ directly receiving homecare, from 830 in 2011/12 to 1070 in 2013/14 (increase of 28.9% over two years) and the number of paid hours provided increased from 622,727 hours to 708,967 hours of service during the same period (increase of 13.8%). Alongside this there has also been an increase over the last three year period relating to those receiving personal care, receiving a service during the evening and overnight and those receiving a service at the weekend. (Refer to Appendix 1)

This is a continuation of the improvement journey the service has made over a number of years in providing service users with the choice of living in their own home or sheltered accommodation at a time when the availability of staff to work what are increasingly unsocial hours has become problematic

## Reducing Institutional Care

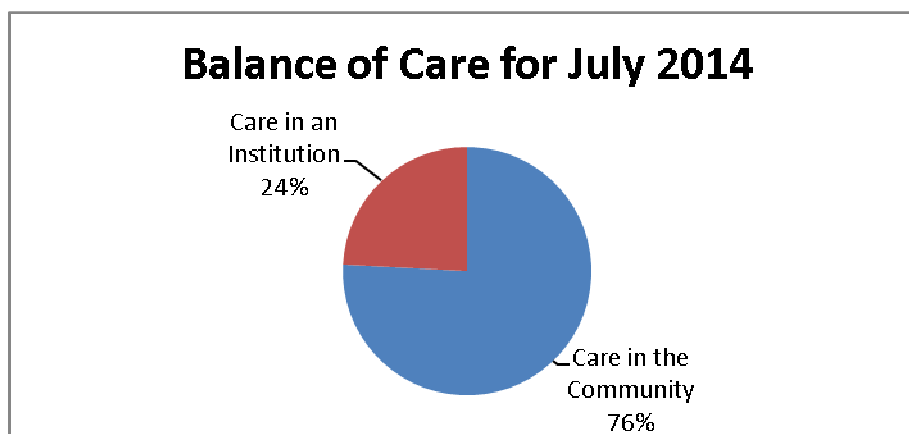
In conjunction with supporting more people to live at home, social work services have also focussed on reducing the number of people across the age groups, admitted to care homes. Over the last three years the overall number of admissions has dropped from a total of 613 in 2011/12 to 550 in 2013/14. (Refer to Appendix 2)

## Balance of Care for Older People

Balance of Care continues to demonstrate that the focus for social work service remains centrally on supporting people to remain at home for longer and work to reduce admissions to care homes locally. (76% supported in the community against 24% supported in an institution- (Table 1 below)

In order to achieve this current balance of care a number of key workforce developments have been instrumental in supporting the joint delivery of services, these include the establishment of joint Extended Community Care Team in all localities, overnight homecare services and the increased use of Telecare and Telehealth services.

*Table 1: Balance of Care for July 2014*



## **Getting People Home from Hospital**

Argyll & Bute social work service continue to work with to ensure that the national Delayed Discharge target of 4 weeks is achieved. Argyll & Bute's individual performance against neighbouring local authorities in relation to getting people out of hospital within the four weeks ensures that health and social care services across the partnership are working to achieve better outcomes for people admitted to hospital. (Refer to Appendix 3)

In preparation for the reduction of the target to 2 week delay in April 2015, Argyll & Bute have already set the 2 week target across operational teams and is monitoring and driving increased performance through the use of robust local discharge data.

## **Learning Disability:**

### **Day Services:**

Day services have been re-designed with the focus being on the provision of person centred, flexible outreach services that complement the traditional resource centre facilities. The new statutory duties in relation to self-directed support (SDS) require a radical reshaping of services to meet individual service user's requirements.

The resource centre service continues to be used to a lesser degree with greater emphasis on proving support to access existing community facilities. As a consequence alternative uses for parts of the building are being explored with other services within the Council, the NHS and Voluntary sector.

### **National Strategy for Learning Disability:**

On 13th June 2013, the Scottish Government and CoSLA jointly launched "The Keys to Life", the new national 10 year strategy for people with learning disabilities. The Keys to Life contains 52 recommendations covering a wide range of issues affecting people with learning disabilities. The full report is available at <http://www.scotland.gov.uk/Publications/2013/06/1123>.

The new strategy builds on "The Same As You", but importantly has a more explicit focus on improving health outcomes for people with learning disabilities, this will have significant impact for our integrated Learning Disability Service and we will be working closely with NHS Highland in implementing the joint improvement plans to meet recommendations.

## **Mental Health**

Social Work and NHS Community Mental Health staff have moved to a position of co-location during the last two years and this has assisted greatly in the day to day management and provision of services. The long term management of the co-located teams will be part of the integration framework to be developed across health and social care services during the next 18 months.

The re-design of Mental Health Service as with other client s groups, continues to focus on the development of community based services in partnership with the NHS. This is reflected by the plans for the re-design of the Argyll & Bute Hospital site which will conclude with a significant number of bed reductions and resource being transferred to community services across Health and Social care.

### **Substance Misuse: Development of the Alcohol and Drugs Partnership (ADP)**

The ADP in Argyll & Bute had for a long period 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. However, key areas of work have been progressed during the last year with the completion of the needs analysis, agreement of the alcohol and drugs strategy and outcomes framework. This baseline work has resulted in the production of a strategic service delivery plan for implementation during 2013/14 with the agreement of all partners.

Work has commenced on the development of a commissioning plan and all partners are working towards the commissioning of a range of contracted services during 2014/15. 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.

### **User and Carer Empowerment across Adult Care Services:**

Across, “Reshaping Care for Older People”, we have developed an asset based approach to develop a clearer understanding of the range of activity and resources available in each locality and how this best informs future investment opportunities. It provides the potential to gauge how communities can contribute to increase and maintain independence and health and well-being, increase social contacts using time-banking and other initiatives.

Time-bank, support is provided to older people in seven communities using community resilience staff in seven localities, giving a total of 27 ongoing and live initiatives. By definition, co-production places people at the centre of services from design, development and through to delivery. These are the shared principles with “Timebank”; people are regarded as an asset, as are communities. Staff across community resilience work stream link and work with other work streams , for example, Living It Up and Falls Prevention where this provides greater impact and improved levels of prevention.

The role and participation of carers and the third sector as equal partners was a strong influence in the production of the Joint Strategic Plan for Older People. The model for this will be brought into our approach in the development of Joint Strategic Plans for all Integrated Services during 2014/15.

We work closely with all Carers Centres and some services are jointly delivered, for instance, we commission the Carers Centres to undertake carer’s assessments through the funding of carers assessment workers. More recently we have funded Carers Centres to allow them to deliver on outcomes following assessment through the allocation of a flexible respite budget.

Our adopted Model of Care has at its heart a drive for people to have choice and be supported in their own communities for as long as possible. We see as fundamental to this, the redesigning of

care systems, ongoing investment in community based model as and a shift away from institutional care alongside the design and evaluation of individualised care arrangements with service users.

### **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.

Changes to the procedures and data collection mean that better information is now available about the outcome of referrals and how many adults are considered at risk of harm etc. This will see us well placed to provide the information likely to be required by the Scottish Government from April 2014.

Following increases in the number of adult protection referrals coming to the social work teams in previous years, it is noted that over the last year the numbers have remained reasonably constant. However, with changes to the Police Scotland procedures, vulnerable person's referrals are now also submitted where there are concerns about an adult but it is not believed that they meet the criteria for being considered an adult at risk of harm. These referrals appear to be increasing in volume.

Updated data collection methods have resulted in much clearer information being available about those referrals that lead to an adult protection investigation. This has demonstrated the value of referrals from a wide variety of agencies, and in particular the high degree of engagement with our provider services. Detailed reporting and analysis of all aspects of adult protection work is now a key area for discussion at the Adult Protection Committee, with specific measures identified as part of the APC Improvement Plan and associated scorecard.

In order to develop a realistic understanding of all aspects of adult support and protection, self-evaluation continues to be a key feature of work undertaken by all those involved in this work. A multi-agency case file audit has been undertaken each year since 2012, and this year involved interviews with staff and the adult who was the subject of the adult protection investigation in order to gain 360 degree feedback. A report with feedback for each agency will highlight areas for improvement as well as strengths in performance. In parallel with this audit an internal social work evaluation took place, looking at 10% of those cases where it was decided that the adult was not at risk in order to examine consistency and appropriateness of decision making. Again, learning was disseminated following the collation of the results of this exercise.

Training on adult support and protection continues to be provided free to staff from any agency across Argyll and Bute, including the largest islands. An annual training programme was developed to run throughout 2014 and was publicised via the Argyll and Bute council website. Take up of places has been good from all grades of staff within social work and the NHS, with many staff reporting the benefit of a multi-agency group and the different perspectives that contribute to the overall learning.



During the last year the Adult Protection Committee undertook its own self-evaluation, examining its performance in various areas, and feeding the results back to staff at the annual self-evaluation day. It also revisited its Terms of Reference to ensure that the membership and structures are appropriate and responsive to the needs to local implementation of the Adult Support and Protection Act.

### **Advocacy and Adult Support and Protection**

In accordance with the legislation, social work staff are expected to offer independent advocacy to all adults who are the subject of an adult protection investigation. In addition to their involvement in supporting the adult to enable their voice and views to be heard as part of this process, the advocacy service has also been commissioned to assist the department in gaining the adult's feedback after the Adult Protection activity has ended. A short questionnaire was devised by social work and advocacy staff and includes questions about how the adult was communicated with as part of the process, as well as whether they feel safer as a result of the actions taken. The advocate who supported the adult through the investigation returns to them three months later to complete the questionnaire and gain any overall feedback they wish to provide. This enables social work staff to understand the impact of their work on the adult and their situation and how the adult has viewed their intervention.

### **Adult Protection Care Homes Project**

Background:

The issue of harm in care homes was identified as one of the 5 national priorities for adult protection by the Scottish Government in 2013. After some initial scoping work, they invited proposals from council areas to undertake short life projects to assist with this topic. In December 2013 Argyll and Bute submitted a project plan which was successful in attracting a small amount of funding (£203) to assist with this work.

### **Specific pieces of work that continue include:**

#### **Care Home Resident Review Process Update:**

Building on the work done following the concerns at Ashgrove Care Home, the review process was updated once more. There had been some complaints from homes about the length of the review forms and the new process. This now involves the District Nurses in providing a health focus for residents being reviewed by social work staff, but it had drawn some criticism for the way that it had been inconsistently applied across the areas.

The paperwork and process for these reviews was refreshed with a three month trial established in Helensburgh and MAKI. The trial has now formally ended and social work staff, the District Nurses and care homes managers have been sent short questionnaires to complete covering all aspects of the process. A meeting between the staff involved in the trial is being set up to discuss their experiences.

Following the feedback gathered, any amendments required will be made to the forms and/or the process and it will be rolled out across the other areas, with briefings for all staff involved.

**Multi-agency quality assurance group:**

An initiative started as part of the work described above is the development of a pro-active process to quality assure the care homes of the area.

New care homes feedback forms have been developed and publicised to enable staff from any agency to provide feedback on a home they visit. They encourage staff to highlight concerns (based on the early indicators work published by the University of Hull) or any specific areas of good practice that they have observed.

Any of these forms received, plus information gathered from a wide variety of agencies including the Care Inspectorate, Commissioning staff, operational social work staff, District Nurses and Fire and Rescue are shared in a multi-agency meeting and the homes under discussion are risk rated. The intention is then to provide support to any home where concerns are apparent that the quality of care is slipping.

**Commissioning of Services:**

The Procurement and Commissioning Team (PCT) provide support to the social work service in realising savings via procurement exercises by carrying out full tenders or working with partner providers to reduce cost pressures by redesigning services. In doing so the PCT provide a framework for commissioning efficiently from external providers or confirm that existing in house services are cost effective thus assisting in developing the case for services to be retained in-house( e.g. Learning Disability Day services were subject to this process 2011/12 which evidenced that they were being provided in a cost effective manner).

In going forward, joint commissioning plans are being progressed with partner agencies. Specifically the Joint Older Personal Commissioning Plan has been drafted and will be subject to public consultation during 2014 and the Joint Commissioning Plan for Adult care Services will be completed in advance of April 2015.

**Service User Feedback –Quality Assurance Questionnaires**

As part of the Procurement and Commissioning Team’s ongoing monitoring, of all registered Adult Care services, questionnaires were completed with service users and/or their families across the range of service groups. The exercise was designed to gauge levels of satisfaction and to ascertain what was going well and what could be improved.

**Feedback**

The questionnaires were completed by service users supported by Monitoring Officers or by guardians/family members. A total of 273 were completed, sampled from Mental Health/Learning Disability Supported Living and Day Services. Care Homes and Day Care for Older People were also included. Care at Home services were excluded, due to the robust monitoring in place, carried out by Homecare Procurement Officers.

- More than 90% of the service users across the services felt they were involved in making decisions about the services they received.
- Within both internal and external day care and care homes 96% of service users felt that staff were sensitive to their needs.
- 100% of service users with Mental Health needs felt they were involved in making choices about their service.
- 98% of people with a Learning Disability feel they are supported to do things they enjoy and are important to them.

### **Better Outcomes for Adult Services**

In line with the main driver of supporting people to remain at home for longer and to ensure that preventative and upstream services, deliver on outcomes for people. It is evident from the financial information noted in Appendix 4 that continued reduction in institutionalised care has given greater financial flexibility for a year on year increase in direct homecare service provision. Financially, this direction of travel works to ensure that Argyll & Bute is better placed to respond to the key challenges relating to continuing to improved outcomes for service users within the self-directed support arena.

In relation to the external funding of increased levels of homecare support (Refer to Appendix 4), Argyll and Bute continue to work in collaboration with both private and third sector care providers to ensure that they challenges of providing care in remote and geographically diverse environments.

## Children & Families & Criminal Justice

### Introduction

The management arrangements for the Children and Families/Criminal Justice service have been reviewed with the new framework being put in place during 2014/15 as outlined within on (page supplementary information (page 44)at The section of the report considers the main areas of activity within each of the service areas.

### Children and Families

Children and Families directly provide or commission support, protection and care for vulnerable children, young people and their families. The Children and Families service portfolio covers four key areas:

- Early Years
- Children and Families Resources
- Children and Families Operations
- Criminal Justice

### Service Expenditure:

In 2013/14, the revenue expenditure for Children and Families was £9.9m. The most significant costs during 2012-13 were as follows:

- Assessment and care management: £2.8m
- Family Placement (includes fostering and adoption): £1.6m
- LA Care Homes: £1.5m
- External Residential Placements: £1.1m
- Children with a Disability: £615k

In 2013 a refreshed vision has been 'partners working together to achieve the best for children, young people and their families'. Improvement in processes has resulted in better responses to child protection concerns and the development of a screening group for domestic violence referrals. Services are improving how they assess, plan and support vulnerable children, young people and their families.

### Children & Families- Key Achievements:

- Children & Families have undertaken a service review to reconfigure staffing across all areas and introduce more frontline staff. The staff group have helped to develop a new model which will be delivered in October 2014.
- To support the new model of service delivery a training plan has been delivered focussing on assessment and care planning. Programme for development has been established for para-professionals, Social Workers and residential staff. A leadership programme through Argyll & Bute's Managers course and additional mentoring is supporting the development of all managers.
- There have been a number of successes across Children & Families, for example the development of effective screening processes has helped support improved outcomes

across Children & Families. The introduction of the Screening Group has resulted in a significant reduction in report requests from SCRA.

- Getting It Right For Every Child (GIRFEC) is now fully embedded in Argyll and Bute with Health, Education and Social Work staff assuming the roles of named person and lead professional as required. 3,500 staff have been trained in the GIRFEC practice model over the last 2 years. Training and support to ensure the continued success of GIRFEC is available. GIRFEC Champions have been introduced across all partner agencies.
- Child protection registrations has steadily reduced with the number of children placed on the Child Protection Register remaining low. Improvement in immediate response to child protection has been improved by multi-agency screening taking place in all child protection referrals. While the embedding of GIRFEC practice model ensures that all children subject to child protection investigation have an assessment, plan and meeting to support their needs
- All children and young people involved in child protection or who are looked after are offered advocacy service through Children 1st and Who Cares Scotland. The number of young people who are looked after remains static at around 220. The service for looked after children is monitored through the Corporate Parenting Board and Argyll & Bute's Children. The Corporate Parenting Board has achieved a number of initiatives, particularly for Looked After and Accommodated Children (LAAC), these include:
  - Purchased laptops/iPads
  - Tracking educational achievement
  - Driving lessons for ex-care leavers
  - Opportunities for work experience.
- The 3 residential units have achieved grading across all quality indicators of 'very good' or 'excellent', demonstrating the high quality residential care available within Argyll and Bute.
- The number of looked after and accommodated young people placed in external placement out with Argyll and Bute continues to reduce
- The number of Foster Carers in Argyll and Bute remains high and they continue to provide good quality care to our most vulnerable children and young people. The Care Inspectorate graded the service as 'good' across all quality indicators. The numbers have shown a small increase in the number of children placed with Foster Carers.

## **Balance of Care for Children & Families**

The balance for care for children and young people who are looked after in either a community or institutional setting notes 92% supported to live in a homely community setting and 8% living in an institutional setting

Further analysis notes a reduction in numbers of children in external institutional placements for the period March 2013-July 2014. Children supported in a homely setting, notes a slight reduction in children placed in family placements and kinship care against a relatively flat performance across the number of children placed with foster carers and not in kinship care. (Refer to Appendix 5)

## **Service User Feedback**

Children and Families have created support fora for looked after children and care leavers. All aspects of service delivery is discussed within these fora. In addition, consultation events with foster

carers and young people take place bi-annually. Advocacy services are provided by Children 1st for all children and young people whose names are on the Child Protection Register. Who Cares? Scotland provide advocacy services to all looked after and accommodated children and young people. Our young people engage in national events with the assistance and support of Who Cares? Scotland. 3,500 children and young people were consulted in the development of Argyll & Bute's Integrated Children's Services Plan.

## **Planning for Change**

Children & Families has undertaken transformational change over the last 2 years. All grading from inspections in residential units, fostering & adoption services and joint children's services have seen improvement.

The Foster & Adoption Service has undergone a period of modernisation. It is leading the way in using the Social Work information system to improve the Foster service monitoring and reporting. Argyll and Bute continue to provide high quality foster carers and over the last year fostering has seen the number of placement requests reduce slightly increase while the number of foster carers has also increased.

Permanence planning is a priority for the service. CELCIS has provided support to develop a new tool kit and training all staff. A Permanence Advisor has been introduced across Social Work to support staff to raise standards and achieve permanence within appropriate timescales.

Ensuring consistency with assessment and care planning has been a challenge. The Universal Child's Assessment (UCA) has been developed and has replaced all other assessment and plans for children. The pilot is currently being evaluated prior to the UCA being rolled out across Argyll and Bute. All staff have been provided training for the completion of the UCA.

In relation to creating real outcomes for children and young people, the number of children placed out with the authority has remained low this year against an overall increase in the number of children placed within a family setting. Key areas in the future will focus on the development of more family placements and direct support to kinship carers ensuring services work to find lifelong placements for children through permanency. The development of post adoption support is taking place across 2014/15. The Children & Young People's Bill will have a significant impact on services for ex-care leavers and kinship carer's service will need to be redesigned to meet the expected increase in demand

## **Criminal Justice**

Argyll and Bute Criminal Justice Services are delivered within a formal partnership arrangement with East and West Dunbartonshire Councils. In 2013/14, Argyll and Bute Criminal Justice Service developed multi-agency guidance and procedures for the risk management of violent offenders that was rolled out across the Partnership area. New Environmental Risk Assessment procedures were enhanced by local operational agreements between Criminal Justice, Police and Housing colleagues. High Risk Offender Strategic and Operational Groups in Argyll and Bute are functioning well with the operational group providing a forum to resolve local practical issues and share matters with partners. Multi-Agency Public Protection Arrangements (MAPPA) have been revised nationally and the Partnership has responded well to the enhanced procedures including the greater structured reviews of MAPPA Level 1 offenders. (Table 2 below notes the gross expenditure of the current service)

**Table 2: GROSS EXPENDITURE BY CATEGORY: 2013/14**

Employee Expenses	<b>716,756</b>
Premises Related Expenditure	<b>29,721</b>
Supplies & Services	<b>29,681</b>
Third Party Payments	<b>3,667</b>
Transport Related Expenditure	<b>48,708</b>
<b>Total Expenditure</b>	<b>828,534</b>

Community Payback Order requirements for unpaid work prove an effective means for offenders to repay society for their misdeeds which also contributes to the process of rehabilitation and reintegration. Unpaid work requirements are increasing in hours and often form part of a supervision package. Unpaid work activity in Argyll and Bute has attracted positive press coverage in the Helensburgh and Lomond area and individual acknowledgements of 'work well done' in other areas. In 2013/14, 16,154 hours of unpaid work were ordered in Argyll and Bute. Using a minimum wage calculation averaging £6 per hour this equates to approximately £96,924 of labour put back into the community.

During 2013/14, Criminal Justice Managers worked closely with their Youth Justice colleagues to support the development of a Whole Systems Approach for young offenders. Workload has varied and the increased use of alternatives to prosecution for low tariff offences has reduced the number of report requests, but as a result of this, proportionately more cases that are prosecuted require complex risk assessments and more time to complete. Within this context there is a reduction in supervision requirements for low tariff offenders or those that do not have complex needs. In turn there is an and an increased workload associated with risk management of released prisoners and more hours of unpaid work ordered either as an alternative to custody or to offenders without

complex needs that do not require supervisory support. (Table 3 notes the changing levels of activity, comparing 2012/13 to 2013/14)

**Table 3: New activity Across Service Area Comparison 2012/13 to 2013/14**

<b>Areas of service</b>	<b>New activity 2012/13</b>	<b>New activity 2013/14</b>
Criminal Justice Social Work Report	555	373
Parole or release of prisoners reports	34	55
Court orders involving community supervision	103	82
Court orders involving unpaid work	125	126
Total number of Unpaid Work hours ordered	12,222	16,154
Statutory supervision of released and current prisoners	12	23

The removal of Rothesay Court business to Greenock Sheriff Court has been concluded with, to date, little impact upon Criminal Justice services following local agreements reached between the Rothesay Criminal Justice Team and counterparts in Inverclyde in respect of Court duty and support of offenders and their families appearing from the Isle of Bute.

The Scottish Government has announced its preference for a local delivery model for the redesign of Community Justice Services with a national body providing strategic oversight. A second phase of consultation is underway to define relationships and refine detail to a locally delivered service within the context of the Community Planning Partnerships. The Criminal Justice Partnership and associated Councils support the local delivery model and will be working towards supporting the redesign along these lines over the next two years.



## **Generic Social Work Issues**

### **Independent Living Fund (ILF)**

Further to the Department of Work and Pensions (DWP) Consultation conclusion in 2012 it was decided the current Independent Living Fund (ILF) will completely close on 31st March 2015. (It has been closed to new applicants since 2010). The DWP will then transfer responsibility of the awardees to Local Authorities and are now preparing for that.

The ILF closure on 31st March 2015 is likely to have considerable impact in Argyll and Bute on the 96 people with disability in receipt of an award and also on the Council. Currently this group of adults are in receipt of about £1.6m per annum from this fund (Adults including; Older People, Physical Disability, Mental Health issues and Learning Disability).

The decisions made by Scottish Government and the DWP in regard to this will have significant implications for Social Work in regard to managing support, expectations and finance for the future. Planning and management arrangements have been put in place within Social Work to deal with the closure of ILF, currently the focus is on reviewing and planning the transfer arrangements of ILF and on reviewing current recipients; especially in terms of finance, care management, equity of service provision and resources, administration and building individual relationships with the Council. Plans will become more refined when the fuller decision making process by Scottish Government and its implications are made manifest in during 2014/15.

### **Integration Health & Social Care**

Argyll and Bute Council and NHS Highland agree the model of partnership as Body Corporate at Council and Board meetings in March and April 2014.

#### **Shadow Integration Board:**

A Shadow Integration Board is now in place and meeting every 2 months to oversee the work of the Programme Board. A chair and Vice Chair have been appointed.

#### **Programme Board:**

A Programme Board has been set up and is populated by senior managers from the Council and NHS Highland which includes the Chief Executives of the Council and NHS Highland, the Leader of the Council and Chairman of NHS Highland Board. The Programme Board have been meeting regularly to oversee the work of a joint project team charged with taking forward the preparatory work to deliver the new health and social care partnership.

A project team are currently working on 11 work streams covering specific areas which include HR, Finance, Performance, Quality, Operations, OD, Property, Commissioning, IT, Communication and Support Services.

### **Scope of Integration**

The scope of services to be included within the new partnership has also been agreed by the Council and NHS Highland in June 2014. All Adult Care services and Children and Families Social Work Services including Criminal Justice are in scope as well as all current services of the Argyll and Bute CHP. The agreed scope goes well beyond the minimum requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

### **Appointment of Chief Officer:**

The recruitment a Chief Officer for the new partnership will be concluded by mid-October 2014. This new post will be pivotal in the drive to set up our new Health and Social Care partnership.

### **What Next?**

The partnership are now progressing the arrangements required to complete all the statutory steps to secure agreement from the Scottish Government to set up a Joint Integration Board by the spring of 2015.

### **Workforce Planning & Development**

Social Work Training Board supports the development of Social work workforce. Most of social care workers are registered with the Scottish Social Service Council. Staff are required to undertake professional development to ensure their continued registration.

Leadership - Managers are being nominated via their Heads of Service to undertake the Argyll and Bute Manager Programme.

- Self-Directed Support - training in being rolled out to employees, dates highlighted below
- Basic Awareness – training complete with a mop up session in August
- Process and Mechanics of Applying SDS – 22 September 2014
- SDS Option 1 – 26, 27 and 28 August 2014
- SDS option 2 and 3 – 6 and 27 October 2014
- SDS Outcome Focused – 17 November 2014

Registration with SSSC - employees are responsible for registering with the SSSC once their register is open, if they can only register with conditions we ensure they are provide with the correct SVQ to enable full registration. The SVQ Centre has received excellent verification reports from the SQA.

## Total SVQ Awards

01/04/2011 – 31/03/2012	93
01/04/2012 – 31/03/2013	9
01/04/2013 – 31/03/2014	27
01/04/2014 – 01/09/2014	20

Practice Learning: we currently have 2 employees just about the start stage 3 of the Social Work Degree, interviews to be held on 13 August 2014 to select 2 employees to commence stage 2 of the Degree.

Placements: Learning Network West provide us with students to place. This is proving more difficult each year. We also offer 10/20 day observational placements through the University of the West of Scotland. And in addition, we hold an annual Awards Ceremony where people who are undertaking any lengthy training are present with their certificate to highlight their achievement.

Mental Health Officer Training: The Council consistently puts through a minimum of two qualified Social Workers per annum onto the Mental Health Officer course which is an essential element of then Council continuing to meet its statutory obligations.

Recruitment:

Recruitment of social care staff across the locality and Scotland is an issue. The corporate Procurement and Commissioning Team (PCT) is supporting the ongoing work with employability team, Skills Development Scotland, local schools and colleges to promote the social care sector and encourage young people to join the social care workforce. In addition we are working with the Department for Work and Pensions (DWP) and independent providers to agree sector level agreements in order that sector based work academies can be developed within each locality.

Across Argyll and Bute we have developed an initiative with the Stirling-based Institute for Research and Innovation in Social Services (IRISS) with both our internal care at home services and our externally purchased arrangements. One aim of this initiative is to explore how we can develop a more coherent approach to recruitment and retention issues in Argyll and Bute with a particular focus on remote and rural localities for those employed in home care, day and residential services.

We are examining a number of areas which will hopefully improve our ability to respond more effectively including intelligent commissioning and rural subsidies. This is being done in partnership with providers who are currently looking at joint recruitment, training and staff sharing ideas. In addition we are working with Argyll College who have recently developed a qualification in Social Care. This work is being done alongside our independent partners who will offer placements targeted at young people and people who have not been active in the employment market for some time.

## Self -Directed Support

Within the training programme rolled out this year in relation to the implementation of self-directed support, there has been an emphasis on asset based approaches and co-produced outcomes focused assessments and support plans which has supported the required shift in culture from care and services to support and choice. The shift in culture being pursued by the organisation fully supports the values and principles as laid out in Sec 1 & 2 of the Social Care (Self-directed Support) Scotland Act 2013 - those principles being

- Involvement
- Collaboration
- Informed Choice
- Participation & Dignity

There are a number of challenges ahead for us in ensuring we embed personalisation into every day practice and service delivery.

- We need to continue to focus on raising the awareness of established social care users and the wider community about asset based and outcomes focused approaches.
- We need to ensure our workforce is fully aware of the values and principles that underpin the asset based and outcomes focused approach.
- We need to continue to spend time working with our communities, explaining the benefits of SDS and helping people to think creatively about what services would have the most positive impact on their lives. Without this, people may be less willing to think about alternative approaches to care because they may view alternatives simply as cost-saving measures.

Asset based and outcome focussed approaches are not about cost cutting, they are about getting the best outcomes for the individual. Those outcomes no longer need to be met by traditional methods of service delivery, it is imperative that choice and control is transferred to the individual to enable them to direct the way they want their support delivered.

- We need to move away from allocating people to existing services, and work together with people to help them choose what support they want and would best meet their needs.

People may choose new and different types of support that staff have not considered before

– this presents a challenge to us all, but this challenge should be met by us all.

During the implementation phase of SDS we have seen our processes change, assessments change and the way we allocate resources has changed. As part of the implementation of these new processes we have actively asked for feedback from practitioners about their and their clients views on the new processes. These views will continue to influence the systems we develop.

## **Key Challenges for Year Ahead**

### **Service Wide**

- On-going developments around the modernisation of our models of care across health and social care which need to be service user centred and evidence “real outcomes” rather than general outputs. Moving away from measuring processes to measuring service user experiences.
- The general financial restraints that will impact on public sector services that will require further efficiencies to be made in how we provide services at a time of growing demand.
- The integration of Health and Social Care services.

### **Adult Care**

- Whilst we have been active in re-designing older people’s services we will need to continue to do so in order to prepare for the pressures of demographic change and the continued public expectation for improvement in services and care at home. Our ability to recruit staff into home care services in particular presents a significant challenge for the Council and those providers we commission from. The Council is one of four pilot areas working with the Institute for Research & Innovation in Social Services (IRISS) during 2014-15 which will be working alongside care providers in addressing issues of staff recruitment and retention while the Council works with local schools and colleges in promoting employment in social care.
- The re-provision of the Council care Homes, whether it is in-house or in partnership with independent providers and/or Housing Associations will require ongoing engagement with the political membership of the Council and the local communities as we develop alternative models of care within the Re-Shaping Care for Older People framework.
- Self-Directed Support, which was implemented on 1st April 2014, will present major challenges to how we provide and commission services for all social work clients. The emphasis is the empowerment of service users to have much greater control of the design of their service and who provides it.
- Whilst we have been successful managing Delayed Discharges, the review of national targets of national targets from 4 weeks to 2 weeks by April 2014, the reduction in unplanned admissions accompanied by the recruitment issues in Home Care has set significant challenges for us in how we manage the totality of the system.
- Adult Protection work continues to grow and increasingly creates capacity issues in our ability to respond to the high number of initial referrals from the Police the vast majority of which do not meet the 3 point criteria for Adult Protection. In addition, the public

understanding of issues continues to lag behind that of Child Protection both in terms of the seriousness of the matter and in how to report incidents appropriately.

- A model of Joint inspection of services across Adult Care, NHS, Police by the Care Inspectorate is now in place. As a partnership we have are developing a multi-agency framework of self-evaluation and improvement which will provide the foundation for our future inspection.
- Development and implementation of Strategy for Autism across health and social care services: There are many challenges to be faced as the various health and social care partners work alongside service users and carers in order to provide to provide the range of outcome focussed services required in a framework that is consistent with choice, empowerment and flexibility of service provision.

## **Child Care**

Key challenges include:

- Implementation and embedding for new service delivery model
- Recruiting and retaining staff in rural locations
- Improving self-evaluation and quality assurance through development of independent chairs for all child protection.
- Improving consistency of assessment across Argyll and Bute
- Improving consistency of Care Planning, including permanence planning, developing and embedding SDS.

## **Criminal Justice**

Key challenges include:

- The design of criminal justice service in the future nationally and locally.
- The development and implementation of MAPPA guidance.
- High Risk offenders being included in MAPPA guidance and the potential impact on staff's capacity to cover the new framework.
- Developing and delivering unpaid work service across Argyll and Bute

- The recruitment and retention of staff.

## **Conclusion**

The period of 2013/14 has seen the social work service continue to be subject to change and review in order to meet the challenges of service improvement and re-design, demographic change, joint inspection, changes in statute and organisational change presented by the integration agenda.

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 and continued promotion of care at home where safe and sustainable.

These 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 on-going 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

September 2014



# Appendices

**Appendix 1:****Providing Care at Home**

<b>Homecare SPI Data</b>	<b>2011/12</b>		<b>2012/13</b>		<b>2013/14</b>	
Number of people aged 65+ receiving homecare	<b>830</b>		<b>933</b>		<b>1,070</b>	
<b>Total volume of service Total No homecare hours per 1000 population aged 65+</b>	<b>8,584</b>	<b>443.6</b>	<b>9,329</b>	<b>473.8</b>	<b>10,650</b>	<b>540.9</b>
No and % in receipt of : Personal care	<b>819</b>	<b>98.7</b>	<b>921</b>	<b>98.7</b>	<b>1,064</b>	<b>99.1</b>
No and % in receipt of: A service during evening/overnight	<b>438</b>	<b>52.8</b>	<b>467</b>	<b>50.1</b>	<b>553</b>	<b>51.5</b>
No and % in receipt of : A service at weekends	<b>748</b>	<b>90.1</b>	<b>850</b>	<b>91.1</b>	<b>967</b>	<b>90.0</b>

Data Source:

Audit Scotland SPI Return - Homecare Section9

**HOME CARE - ACTUAL EXPENDITURE PER YEAR (£)**

<b>Sector</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Internal Homecare	3,126,785	2,883,949	2,612,166
External Homecare	6,085,629	6,937,934	8,620,008
<b>Total</b>	<b>9,212,414</b>	<b>9,821,883</b>	<b>11,232,175</b>

**HOME CARE - PAID HOURS OF SERVICE PER YEAR**

<b>Sector</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Internal Homecare	168,564	141,232	124,677
External Homecare	454,163	518,235	584,290
<b>Total</b>	<b>622,727</b>	<b>659,467</b>	<b>708,967</b>

## Appendix 2:

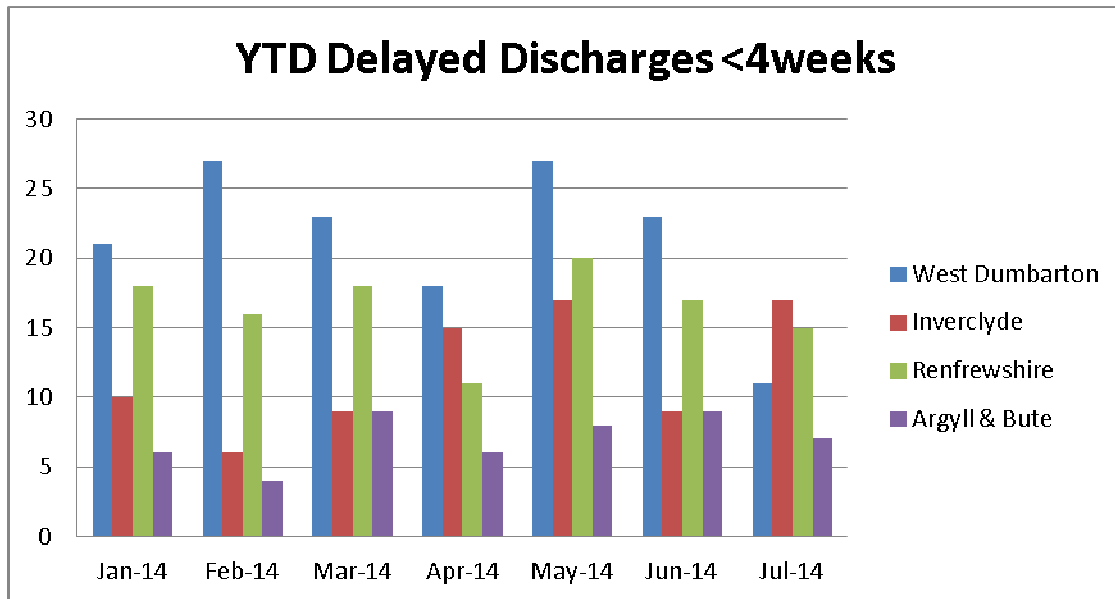
### Reducing Institutional Care

Care Homes	2011-12			2012-13			2013-14		
Number of Permanent / Long Stay Residents Supported in Care Homes	18-64	65+	Total	18-64	65+	Total	18-64	65+	Total
Older People	0	545	545	0	510	510	0	503	503
Physical Disability	2	0	2	2	0	2	2	0	2
Learning Disability	31	7	38	29	3	32	29	3	32
Mental health	10	0	10	3	1	4	2	1	3
Other	18	0	18	15	0	15	10	0	10
<b>Total</b>	<b>61</b>	<b>552</b>	<b>613</b>	<b>49</b>	<b>514</b>	<b>563</b>	<b>43</b>	<b>507</b>	<b>550</b>

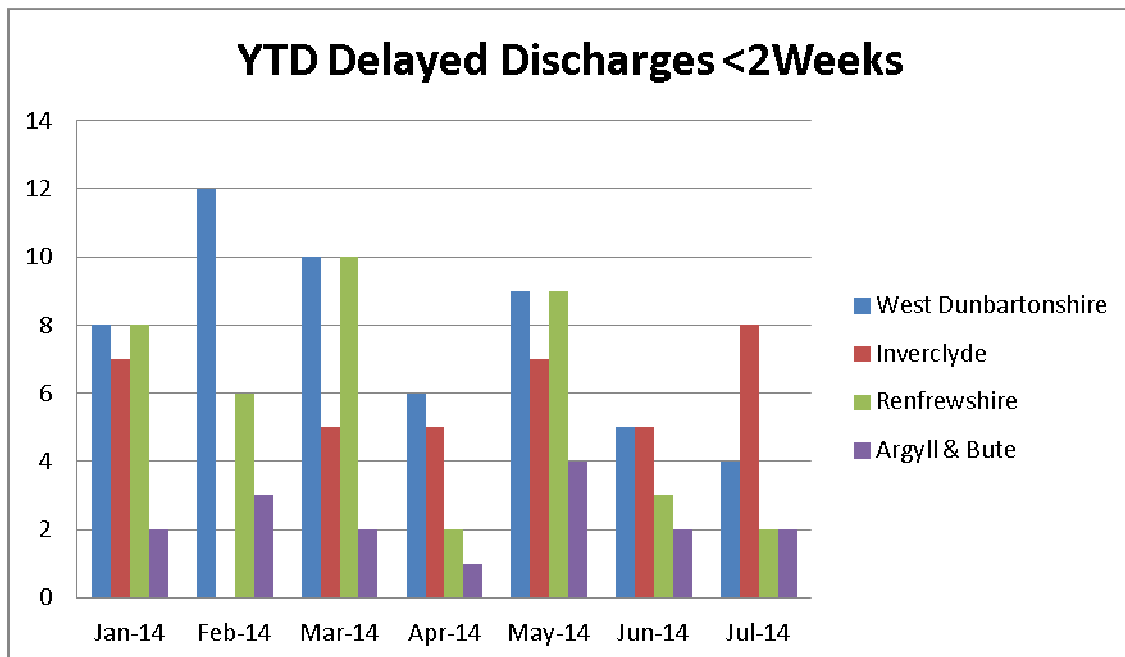
Data Source: Pyramid 2011/12-2013/14

**Appendix 3:**

**Getting People Home from Hospital**



Data Source –Edison – YTD Discharge Totals <4weeks (Argyll & Clyde)



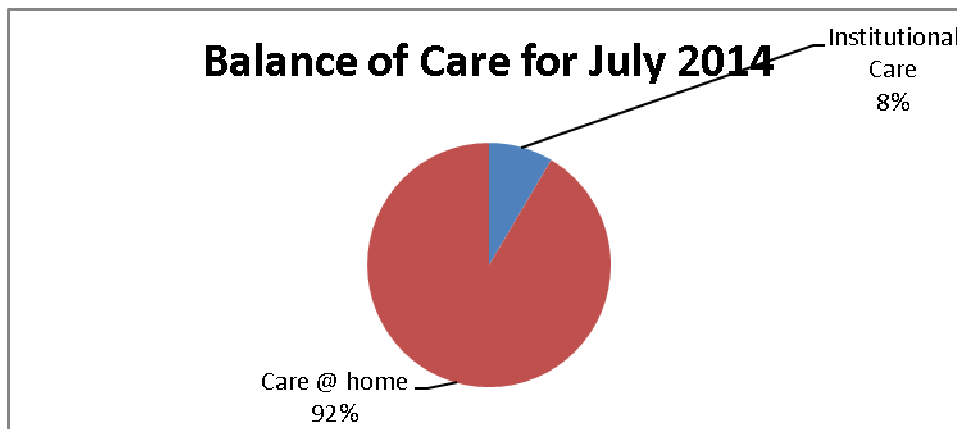
Data Source –Edison – YTD Discharge Totals <2weeks (Argyll & Clyde)

**Appendix 4:**

**COMMISSIONING OF CARE HOME BEDS - ACTUAL EXPENDITURE BY CLIENT GROUP PER YEAR**

<b>Client Group</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Older People	7,613,081	7,647,335	7,153,861
Physical Disability	103,113	104,133	104,451
Learning Disability	2,159,641	1,854,159	1,807,571
Mental Health	219,662	208,643	155,005
Addictions	15,677	40,409	19,642
<b>Grand Total</b>	<b>10,111,174</b>	<b>9,854,680</b>	<b>9,240,530</b>

**Appendix 5: Balance of Care for Children & Families**



# Supplementary Information



## Role of CSWO

### General:

- CSWO reports to Executive Director, Community Services (Social Work, Housing, Education, and Community & Culture).
- CCSWO is a member of the Community Services Departmental Management Team as is all the other appropriate Heads of Service.
- CSWO meets with the Chief Executive of the Council quarterly. Executive Director and Head of Children & Families also attend the meeting.
- CSWO is a member of the Health & Care Strategic Partnership (as is the Executive Director and Head of Children & Families)
- CSWO has the option to participate in both the Adult Protection Committee and Child Protection Committee. Usual practice is for the appropriate Head of Service for Adult or Child Care to serve the committees with the CSWO attending both by exception.
- CSWO attends the partnership's Chief Officers Group for Public Protection which has the overview of all Public Protection issues covering Child Protection, Adult Protection and Criminal Justice.

### Finance:

CSWO participates in the budget planning for the Council as do all Heads of Service. There is no specific role for the CSWO in the process.

### Reports:

Other than the annual CSWO report to the Council there are no other specific reports to the Council by the CSWO with the exception of reports relating to death of children/adults that are provided to the Chief Executive. All other reports to the Chief Executive, Executive Director and Council are presented by the appropriate Social Work Head of Service and not delegated specifically to the CSWO. I consider this as appropriate given that the CSWO is not a Director of Social Work or Corporate Director of services including Social Work.

### Governance Framework:

The political and partnership governance associated with Social Work services is as follows:

Full Council: monthly

Community Services Committee: quarterly

Local Area Committees(x4): monthly. Attended by operational Area Manager with Service Managers/Head of Service attending as appropriate

Argyll & Bute's Children: Quarterly

Health & Care Strategic Partnership: bi monthly



Adult Protection Committee: quarterly

Child Protection Committee: quarterly

Chief Officer Group for Public Protection: quarterly

Argyll and Bute's Community Planning Partnership

## The Argyll & Bute Market Place

Commodity strategies for adult and children and families services have been drafted and approved by both heads of service which provides detailed information as to the nature and size of local social service provision, and details market data for the relevant services i.e. LD, MH services. This is the baseline for any future commissioning activity.

Recruitment of social care staff across the locality and Scotland is an issue. The Corporate Procurement and Commissioning Team ( PCT) is supporting the ongoing work with Council's Employability Team, Skills Development Scotland, local schools and colleges to promote the social care sector and encourage young people to join the social care workforce. In addition the PCT are working with the Department of Works and Pensions and independent providers to agree sector level agreements in order that sector based work academies can be developed within each locality.

Across Argyll and Bute we have developed an initiative with the Stirling-based Institute for Research and Innovation in Social Services (IRISS) with both our internal care at home services and our externally purchased arrangements. One aim of this initiative is to explore how we can develop a more coherent approach to recruitment and retention and efficient deployment of staff with a particular focus on remote and rural localities. We are examining a number of areas which will hopefully improve our ability to respond more effectively including intelligent commissioning and rural subsidies. This is being done in partnership with providers who are currently looking at joint recruitment, training and staff sharing

This will be further progressed during 2014/15 within the Reshaping Care for Older People Framework and likewise, it is proposed that a similar process is put in place in partnership with the independent care homes will be progressed during 2014/15.

## Understanding the Homecare and Care Home Market

In relation to understanding the local area service provision the tables below identify the four main service areas and current usage of homecare and care home provision for those aged 65+ and also as a per 1000 of the population. For each of the areas this analysis looks at the trend from 2011/12 to 2013/14 and looks to identify in real-terms the growth in relation to supporting the balance of care , away for institutional care towards supporting more people to live at home longer. In effect this local data allows the partnership to be able to identify areas of potential over provision against actual need and assist in making the case for the continued review of investment within the four main areas.

*Bute and Cowal - Carehome v's Homecare 65+ Client numbers and Rates per 1000 population*

Year	Population 65+	CH65+	65+ CH per 1000	HC 65+	65+ HC per 1000
2011/12	5750	194	34	239	42
2012/13	5750	178	31	276	48
2013/14	5750	181	31	358	62

*Helensburgh - Carehome v's Homecare 65+ Client numbers and Rates per 1000 population*

Year	Population 65+	CH65+	65+ CH per 1000	HC 65+	65+ HC per 1000
2011/12	4982	134	27	226	45
2012/13	4982	119	24	253	51
2013/14	4982	115	23	306	61

*MAKI- Carehome v Homecare 65+ Client numbers and Rates per 1000 population*

Year	Population 65+	CH65+	65+ CH per 1000	HC 65+	65+ HC per 1000
2011/12	4950	114	23	182	37
2012/13	4950	113	23	186	38
2013/14	4950	101	20	224	45

*OLI- Carehome v Homecare 65+ Client numbers and Rates per 1000 population*

Year	Population 65+	CH65+	65+ CH per 1000	HC 65+	65+ HC per 1000
2011/12	4007	108	27	185	46
2012/13	4007	101	25	222	55
2013/14	4007	108	27	242	60

**Market Testing**

In order to understand local market dynamics and drivers, a number of key market research papers were commissioned to explore local opportunities and to identify market gaps and the potential impact of commissioning decisions across services.

**Nursing & Residential Care- Market Test Findings**

**Key Findings:**

**Stakeholders:**

- Key stakeholders for this commodity are the providers, service users and the Procurement and Commissioning Team.
- The stakeholders will have varying levels of engagement in the process, from those whose buy in and support is crucial (those that will own and manage the contract) to those that require an understanding (those that will use the contract on an operational level).

**Market research:**

- There was little interest from providers in taking over the Council's care home provision under the current model of care when the market was tested during 2011
- Indication is that the current independent care home provision is evolving to become more specialist, for example, dementia specific
- Providers (care homes and homecare) showed interest and/or action towards becoming providers of extra care housing
- Local Authority spending cuts have severely impacted on operator's income, however, as increasing need for the service is expected to continue, expenditure is expected to increase as economic conditions improve. Growth is therefore expected to continue albeit at a slower rate than in the last 20 years – Key Note predict growth of 15.8% between 2012 and 2016
- The market testing in relation to home care services resulted in a significant level of externalisation of directly provided services during January 2012
- The market test during 2012 indicated that there was not cost benefit to the council in externalising day services for older people
- The market test during 2012 indicated there was no cost benefit to the council in externalising day services for service users with a learning disability

**Trends & Development**

Market Test in 2013, demonstrated a trend towards more specialist provision, e.g. dementia care and an increased interest in Extra Care Housing/Retirement Village models. New Extra Care Housing facilities have been built in Helensburgh, Lochgilphead and Mull over the last two years

**Impact**

Design of services should be reviewed continually in order to ensure that changing needs are met – for example in relation to extra care housing and specialised residential services. The council must also ensure that contingency planning is prioritised and reviewed in order to mitigate the risk of care home closures – particularly in the most rural areas of Argyll and Bute.

## Children & Families Services: Market Test Findings

### Stakeholders:

- Stakeholders include providers, service users, customer department staff, customer department and procurement and commissioning Team.
- Representation included from Customer Dept., Procurement, Commissioning and Legal.
- All of the above are considered to have a high impact on the success of the commodity but with various levels of engagement in the process, varying from those in the customer department that require an understanding but do not take a leading role in operations, to those that own and manage the contract.

### Market Research

- Insufficient supply for competition in preschool services (in Argyll and Bute, internal provision is greater than external)
- Limited competition for CABD contracts
- Insufficient competition for specialist services.

### Trends & Development

#### Services to Children affected by Disability:

- In respect of services to children with disabilities, there is both evidence to suggest a decline and an increase in demand. In Argyll and Bute, the population of young people is expected to decrease by 8.7% by the year 2035 – suggesting a lesser demand for children’s service on the whole. However, technological and medical advances have led to improved survival rates for children with life limiting and disabling conditions. Therefore, there continues to be an increase in demand for services to support children with disabilities.
- The introduction of Self Directed Support may have an impact on the uptake of services with some providers and potentially lead to instability in the market for small local providers. Families should be given options.
- **Impact:** Due to the nature of the market and lack of competition in most areas of Argyll and Bute, uptake of SDS is not anticipated on a large scale. Where it is a genuine possibility, contracts must facilitate it and internal processes must be in place. It is hoped the transition can be managed with limited disruption.

#### Specialist Services:

There is little comprehensive data on the provision of these services from which trends can be drawn; however, the Council is clear in the knowledge of its own challenges in commissioning them. Consideration needs to be given to posting a PIN notice (Prior Information Notice on Public Contracts Scotland) to verify the level of supplier interest and

take action thereafter based on the findings. If there is little interest from the market, consideration should be given to the development of services in the area.

## **Children's Residential Care: Market Test Findings**

### **Stakeholders:**

- Stakeholders include – providers, service users, customer department staff, customer department senior staff and Procurement and Commissioning Team.

### **Current Contracts:**

- Services provided include, Care Homes (children's homes), School Care Accommodation (Residential Schools) and Respite Services. School Care Accommodation Services should not be confused with the school hostels in Argyll and Bute which provide a homely living environment. While Foster Care/Kinship may be mentioned within this strategy, their nature precludes the procurement process and is therefore not covered in detail. Secure Care also falls under the umbrella of residential care, the Council utilise the national contract for Secure Care placements and therefore it will not be covered in this strategy.
- There is complete contract coverage for these services. Procurement and Commissioning issue the general terms and conditions to providers, while the departments are responsible for Individual placement agreements.
- Spend on Children 's Residential Services in 2012/13 was approximately £2.1m

### **Market Research:**

#### Headlines:

- Lack of provision and competition for specialised placements
- Higher than inflation price increases
- Generally low level of competition
- No local provision for School Care Accommodation
- Argyll and Bute have a high level of foster carers with most children placed with Argyll and Bute foster carers. However, services are not in the right places geographically to allow to children and young people to remain in their own communities, despite this the number of children and young people placed out with Argyll and Bute remains low.
- Demand information not widely shared by local authorities. Information on national foster and adoptive carers requires to be shared more by local authorities.

### **Trends & Developments**

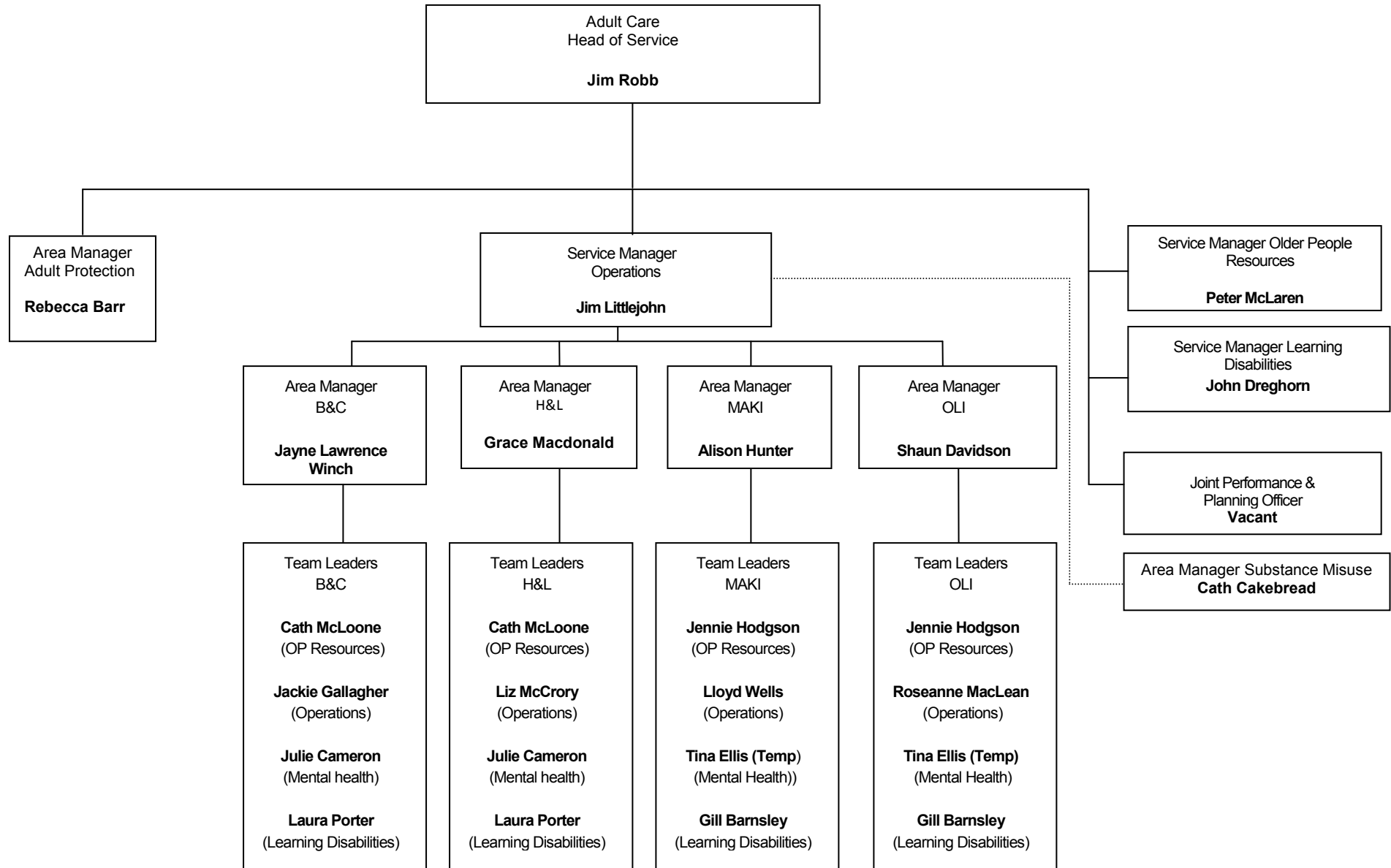
- There has been a significant shift from larger centrally located resources to smaller community based services.
- As policy on care provision has placed increasing emphasis on smaller scale services, the private sector has been quick to respond with new facilities, although often not in the communities where children come from. While there is no data on how many children are placed out of their local authority area when it is not thought in their best interests to do so, many local authorities, including A&BC have raised issues about services not being in the right places. From a provider perspective however it is difficult to ascertain where services are needed. There is therefore general agreement that better information is required on

supply and demand. The development of a National Care Contract will hope to help address these issues.

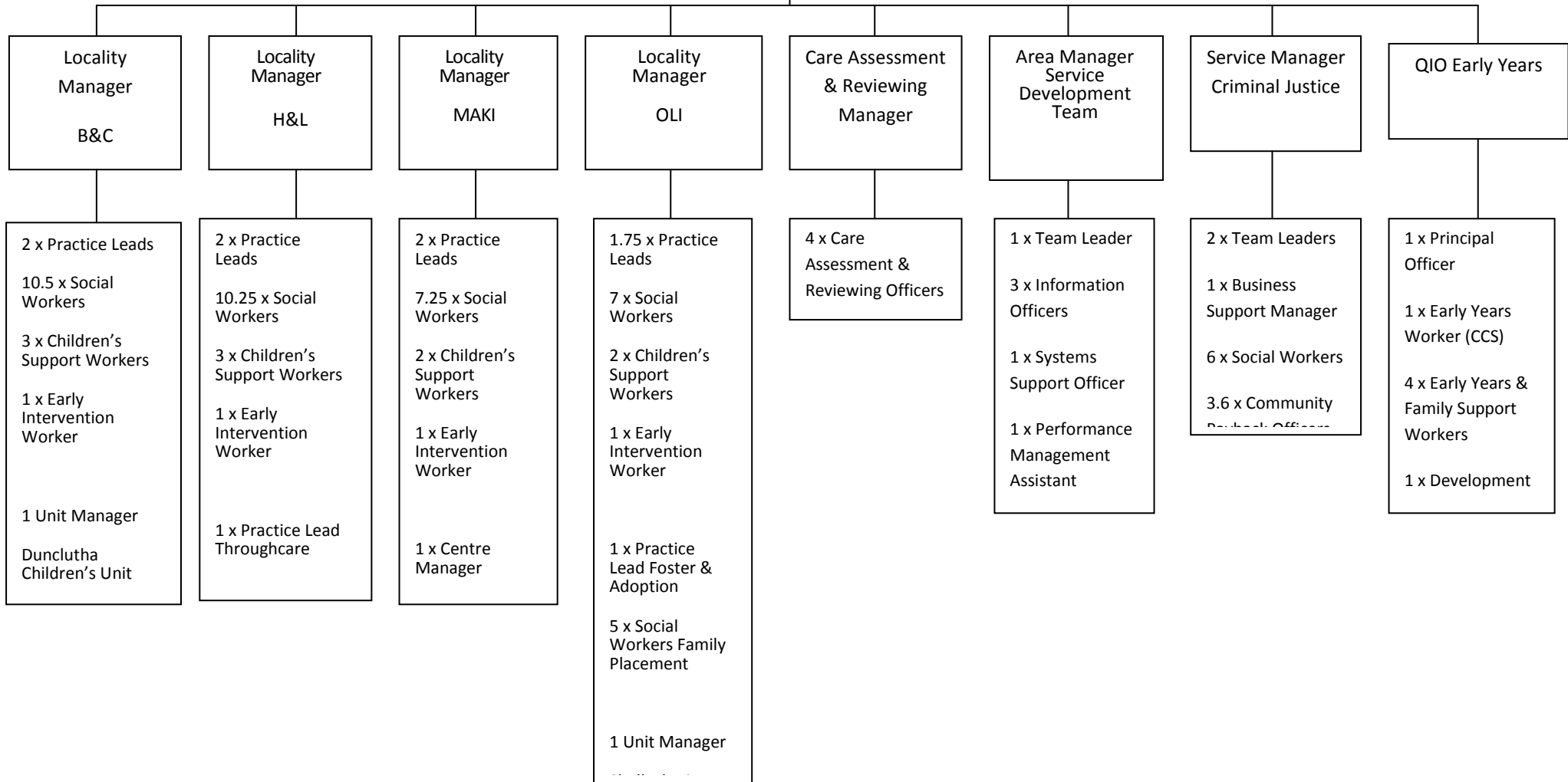
- **Impact:** The Council's Children and Families Services have undertaken a fostering campaign aiming to increase the number of foster/kinship placements in Argyll and Bute. The aspiration is to have carers across Argyll and Bute so that children and young people can live in their own communities.
- **Impact:** The service is preparing for an increased demand on the residential, fostering and Kinship services created by the Children and Young Peoples Bill. Young people in foster care can be under the guardianship of foster carers up to the age of 21 with a commitment to extend it in the future to 26 - thus having significant implications for funding for which the Council must be prepared.







Head of Service – Children & Families





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**ARGYLL AND BUTE COUNCIL****Council****Community Services****27 November 2014**

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**STRATEGIC HOUSING INVESTMENT PLAN 2015-2020.**

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**1.0 EXECUTIVE SUMMARY**

- 1.1.1 In June 2014 the Scottish Government issued revised guidance to all local authorities on the process and procedures for the administration of the affordable housing supply programme. It also issued revised guidance on the preparation of Strategic Housing Investment Plans (SHIP) in July 2014.
- 1.2 This report sets out for Members the key proposals contained within the SHIP 2015-2020 which the Council are required to submit to the government by 28 November.
- 1.3 This report also sets out proposals for resourcing the SHIP including revisions to the contribution to the programme from the Strategic Housing Fund and Rural Housing Development Fund.
- 1.4 The SHIP will form the basis of the Strategic Local Programme Agreement (SLPA) between the Scottish Government and the Council. The SLPA is to be agreed by March 2015 and will detail the housing projects which will be funded over the next five years. They will be updated annually. The SLPA will form the basis of individual RSL and local authority programme agreements.
- 1.5 The SHIP and SLPA are integral adjuncts to the Local Housing Strategy (LHS) and as such remain closely aligned with the Single Outcome Agreement (SOA). In particular, this SHIP incorporates the explicit strategic objective: **“To ensure that housing supports future economic success and a growing population.”**
- 1.6 The recommendations are that Members approve:
- 1) The SHIP 2015-2020 for submission to the Scottish Government as the basis for the SLPA.
  - 2) Revisions to the Strategic Housing Fund and Rural Housing Development Fund grants to supplement the Affordable Housing Supply Programme and bring empty homes back into use.

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**ARGYLL AND BUTE COUNCIL**
**Council****Community Services****27 November 2014**


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**STRATEGIC HOUSING INVESTMENT PLAN (SHIP) 2015-2020.**


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**2.0 INTRODUCTION**

2.1 The core purpose is to set out the strategic investment priorities for affordable housing over a five year period to achieve the outcomes set out in the Local Housing Strategy (LHS). The plan reinforces the local authority as the strategic housing body and the importance of outcomes and targets set out in the LHS and any subsequent updates. In summary, the SHIP

- Sets out key investment priorities for affordable housing
- Demonstrates how these will be delivered
- Identifies the resources required to deliver these priorities
- Enables the involvement of key partners.

2.2 In September 2013 the Scottish Government notified Argyll and Bute Council of its proposals for the future of the Affordable Housing Supply Programme (AHSP) and confirmed the minimum Resource Planning Assumption for this authority for the period 2015/16 to 2019/20. Table 1 below shows the current minimum RPA, for Argyll and Bute, over the next 5 years which is reducing by 54% over the five year period.

**TABLE 1: RESOURCE PLANNING ASSUMPTIONS 2015- 2020**

	<b>15/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Totals</b>
RPA	£7.246m	£6.216	£4.976	£3.317m	£3.317m	£25.072m

2.2 Intrinsically linked to the delivery of the SHIP in Argyll and Bute, is the Council's policy on how it uses the Strategic Housing Fund (SHF). Consequently, this report also deals with revised proposals for distribution of SHF taking account of the changing economic climate and lessons learned since the previous review in August 2012.

**3.0 RECOMMENDATIONS**

3.1 The recommendations are that Members approve:

1. The SHIP 2015-2020 for submission to the Scottish Government as the basis for the SLPA.
2. Revisions to the Strategic Housing Fund grants to supplement the Affordable Housing Supply Programme and bring empty homes back into use.

## 4.0 DETAIL

- 4.1 **SHIP Process.** The Scottish Government issued revised guidance in July 2014 on the procedures for preparation of SHIPs. The next SHIP, setting out proposals for a five year period, is to be submitted by 28th November 2014. Once the SHIP has approval there will follow detailed discussions between the council and the government's local Area Teams to agree the SLPA by the end of March 2015. In future years there will only be a requirement to submit a revised SHIP every two years.
- 4.2 The preparation of the SHIP is a corporate activity and has involved all members of the Strategic Housing Forum which forms the Housing Market Partnership for Argyll and Bute.
- 4.3 It is important that the proposals contained within the SHIP reflect the wider strategic context and therefore the overarching aim of the Single Outcome Agreement to build economic success and grow the population underpins the SHIP. Argyll and Bute's rich rural diversity has also been recognised and rural housing development funding represents 47% of the programme.
- 4.4 **Current Progress.** Good progress is being made against the target which the Council set in 2011. A target of 110 affordable housing completions, for each of the five years of the Local Housing Strategy, was identified through the Housing Need and Demand Assessment process. This target also took account of the resources available. To date this target has been exceeded. In the first three years of the strategy 337 properties were completed. There are currently 206 properties under construction which are due to complete this financial year which would bring the total completions in the first four years of the strategy to 543 which equates to 103 over the target. In addition, the council's innovative approach to Empty Homes has resulted in around 530 vacant properties being brought back into effective use to date. This positive achievement has been acknowledged nationally, with the Housing and Council Tax services joint initiative receiving a silver award at the Institute of Revenues, Ratings and Valuations (IRRV) Performance Awards 2014, in the Excellence in Innovation category.
- 4.5 **Resourcing the SHIP.** There are a number of factors which can impact on the resources for the programme. The affordable housing programme in Argyll and Bute is resourced from three distinct elements:
- Scottish Government Grant
  - Strategic Housing Fund Grant - including Rural Housing Development Fund (RHDF)
  - Registered Social Landlord's (RSL) Private Finance (including Potential Council long term lending).
- 4.5.1 **Scottish Government grants** are provided to RSL's to support the development of affordable housing. Scottish Government set a benchmark per unit to calculate the grant contribution for each development. This takes into consideration house types, energy

efficiency standards and geographical locations. Those which apply in Argyll and Bute are shown in table 2 below:

**TABLE 2: Range of benchmarks (all “3 person equivalent” benchmarks)**

	West Highland, Island Authorities and remote and/or rural Argyll	Other rural	City and urban
RSL social rent Greener*	£72k	£63k	£62k
RSL social rent- Other	£68k	£59k	£58k
RSL mid-market rent –greener*	£34k		
RSL mid-market rent- other	£30k		

\*to qualify for the higher greener subsidy the building standards must meet section 7, silver level of the 2011 Building regulations in respect of both Carbon Dioxide emissions and Energy for Space Heating.

4.5.2 **Strategic Housing Fund Grants.** Since 2010 the Council has adopted a policy to support the development programme in Argyll and Bute by providing additional grant funding from the Strategic Housing Fund. The Council has frequently reviewed its awards, as government benchmarks have varied, and the prevailing economic conditions in the housing market have fluctuated. The annual report on the Strategic Housing Fund was presented to Members on 26 June and as at 31 March 2014 there was an uncommitted balance of £3.629m, as set out in table 3 below.

**TABLE 3: Strategic Housing Fund Balance**

	£m
Balance at 31/03/14	10.241
Committed Expenditure 31/03/14	6.612
<b>Uncommitted Balance</b>	<b>3.629</b>

4.5.3 It is proposed that SHF resources should be used entirely to support the Affordable Housing Supply Programme and Empty Homes grants and loans. The Council has previously awarded grants of £90k per unit for remote rural areas with no contribution from the government. In order to secure greater return on overall investment for the Council, it is proposed that the funding for smaller rural developments is brought in line with the rest of the programme. Commitment to Rural Housing Development Funding remains a priority but this revised approach will ensure that programme targets are sustainable and can secure requisite external funding. SHF grants will only be available to RSL's on projects which are identified in the SLPA. This approach means that Council grant funding follows the same principles as the Scottish Government. Only bodies that are regulated by the Scottish Housing Regulator will be eligible to apply. This protects the long term interests of tenants and ensures that consistent business planning is applied to developments and that the properties have long term management and sustainability at affordable rents.



- 4.5.4 Current Council policy is to award £22k per unit for projects in the SLPA once a Scottish Government grant approval has been issued. The amount of grant per unit awarded to a development project impacts directly on the rent levels charged and the quality of the design including energy efficiency standards. It is therefore proposed that in order to assist RSLs to maintain rents at an affordable level, and to ensure the highest attainable design standards are achieved; the grant per unit is increased from £22k to £25k per unit. This level of award is based on the assumption that the target of 110 units per annum is sustained for the first three years of the programme (2015-2018) and income to the SHF remains at the current estimated level. It represents an annual contribution to the programme of £2.75m. It is proposed that the level of award will be reviewed, along with the SHIP every two years.
- 4.5.5 The *estimated* income from Council Tax on Second Homes for the period 2015-2018 is £7.6m, together with the uncommitted balance as at 31 March 2014 of £3.629m, gives a total *estimated* SHF balance of £11.229m for 2015-2018. Taking account of the per unit grant increase, and the Empty Homes allocation, the SHF commitment calculated for period 2015-2018 totals **£8.86m** of which **£3.975m** will be Rural Housing Development Funding. The uncommitted balance on the SHF over this period is therefore £2.37m. This uncommitted balance would facilitate any fluctuations in the *estimated* income figure; and enable the council and its partners to take prompt advantage of any additional AHSP funding from the Scottish Government or windfall resources that may become available. A breakdown of these figures is outlined in Appendix 1.
- 4.5.6 Amended proposals for Empty Homes Grants and loans are being incorporated within a revised Scheme of Assistance which is the subject of a separate committee report which will be submitted for Members consideration in March 2015. In terms of the SHF it is proposed that £500k be earmarked for empty homes grants and a further £110k for recyclable loans to empty property owners. Since the introduction of the Empty homes grant and loan scheme in 2012 and the appointment of the Empty Homes Officer, there has been a considerable increase in our knowledge and understanding of the reasons for homes lying empty. The co-ordinated approach between the Empty Homes Officer and the effect of the increased council tax charge on long term empty property has resulted in around 530 empty properties being brought back into use.
- 4.5.7 **Private Finance.** Private finance contributions, from the RSL, make up the final important element of each development. In 2012, the Council agreed to earmark funds from the General Reserve of £9.5m for SHF loan options. Funding of £5m was identified to assist the RSLs in the cost of borrowing, of which £4.2m has been committed, funding of £3m was identified for the Local Authority Mortgage Scheme (LAMS) and £1.5m for Empty Homes Loans. LAMS did not progress and take up of Empty Homes Loans has been slow therefore this leaves an uncommitted balance on the original £9.5m of £5.3m. Please see table 4 below for details.

**TABLE 4: SHF Loan Options**

Option	Earmarked Reserves 2012 £	Committed Expenditure 2014 £	Future Commitment £	Uncommitted Earmarked Reserves £
LAMS	3,000,000	0	0	3,000,000
Empty Homes	1,500,000	0	0	1,500,000
Long Term Loans	5,000,000	2,428,544	1,759,189	812,267
<b>Total</b>	<b>9,500,000</b>	<b>2,428,544</b>	<b>1,759,189</b>	<b>5,312,267</b>

There is the potential for this uncommitted balance of £5.3m to be made available for a further round of RSL long term loans however this is currently under consideration by the Council. An alternative investment proposal in HubCo subdebt is currently being investigated which offers a higher rate of interest and is to be considered by Members as a separate report in December 2014.

#### 4.6 Strategic Local Programme 2015-2020

Both the Scottish Government and the local authority recognise that securing optimal outcomes from the programme requires long-term planning and that a high proportion of 2015/16 completions will be from developments which were initiated in previous years. Many projects are complex and require long lead in times; and it is likely that some projects in the 2014/15 programme for instance will slip into 2015/16. As a consequence, they would require additional funding from the Year 1 RPA which would then have a knock-on effect on some projects scheduled for the 2015/18 SLP.

However, assuming the target remains at 110 units per annum, and taking account of the provisional RPA of **£25.072m** for the next five-year planning period, 2015/16 – 2019/20, the Council, in liaison with RSL partners, has drawn up the following programme, shown in Table 5, which will be developed over the first three years of the SHIP (2015-2018). The programme will be closely monitored in partnership with RSL's and the Scottish Government.

**TABLE 5: PROVISIONAL SLP 2015-2018**

Development/Site	Developer	Constraints	No of Units
Golf Club, Helensburgh Phase 1	DHA	None	16
East King Street Helensburgh	DHA	None	24
Imeraval, Port Ellen, Islay	WHHA	De-crofting	18
Benderloch	WHHA	None	12
Iona	Community /WHHA	Resources	5
Tayvallich	ACHA	Site acquisition	2
Connel Phase 2	ACHA	None	10
Glenshellach	ACHA	None	17(8 extra care)
Sealladh Na Mara, Bowmore (Phase 2)	ACHA	None	10
Dervaig, Mull	Community /tbc	Planning/ Partnership Agreements	5
Spence Court Dunoon	FYNE	Land Transfer	26

Golf Club Helensburgh (Phase 2)	DHA	Ownership.	54
Ganavan Oban	Link/WHHA	None	10
Lochdon, Mull	WHHA	None	6
Port Charlotte, Islay	WHHA	Planning	6
Port Appin	WHHA	None	6
Luss	Link	Planning/Water	5
Victoria Park, Dunoon	ACHA	None	5
Tigh Rhuda, Tiree (PCC)	ACHA	Options appraisal	6-10
Cardross	ACHA	Development Agreement	16
Dunbeg (Phase 3)	WHHA	Infrastructure – roundabout/ road	55
Coll	ACHA/ community	Site Acquisition	2
Carradale	ACHA	Identify Site	2
Strachur	FYNE	Site Acquisition	4
Jura	tbc	Site	2
Gigha	Community Ownership	Community capacity/ Resources	1
Total			325-329

4.6.1 This programme focuses on priority areas within the LHS, and current or emerging pressured areas as identified in the annual monitoring process. It also allows for a geographic spread of development activity which will support, sustain and regenerate smaller, rural communities as well as the more populous towns and urban area. In addition, it concentrates on potentially viable sites which are either already in Council or RSL ownership, or currently the subject of positive negotiations with developers and landowners.

#### 4.7 The “Shadow” Programme, 2018 and beyond.

There is a degree of inbuilt flexibility across the proposed 2015/20 SLPA, if unforeseen delays, or, alternatively, new opportunities and resources should occur.

4.7.1 The Scottish Government also stipulates that the SHIP should set out a shadow programme comprising a “substantial, prioritised list of projects” for consideration should future additional resources become available. The Council and RSLs, together with other development partners, have identified the following long list or shadow programme which is prioritised in Table 6, on the basis of:-

- Identified housing need and demand (at local and HMA level);
- Homeless pressures within the area;
- Particular housing needs, health & social care factors;
- Historic social stock levels, recent development activity & investment patterns;
- Wider strategic factors, including economic, social or community regeneration priorities;
- Risk and deliverability, in terms of ownership, infrastructure or planning constraints

**TABLE 6: SHADOW PROGRAMME, 2018 AND BEYOND**

<b>Site/Development</b>	<b>Developer</b>	<b>Priority</b>
Cardross Phase 2	ACHA/DHA (tbc)	Medium
Ganavan Phase 2	WHHA	Medium
Dunclutha	Bield	Medium
Oban Town Centre	tbc	Low
Arrochar	DHA	Low
Lochgilphead	Fyne	Low
Cairndow	tbc	Low
Colonsay	tbc	Low
Garelohead	ACHA	Low
Grant St Helensburgh	Bield	Low
Bunessan	WHHA	Low
Tarbert Phase 2	ACHA	Low
Tighnabruaich (Portavadie)	tbc	Low
Rosneath	LINK	Low
Kilchrenan	WHHA	Low

#### 4.8 **Housing Adaptations**

The revised SHIP guidance requires local authorities to assess the funding necessary to deliver adaptations in private housing within their area. The Scottish Government allocates this funding to local authorities as part of their annual Private Sector Housing Grant (PSHG) which the Council administers to deliver its mandatory statutory obligation to provide grant for adaptations in private sector houses. Funding requirements for adaptations to RSL stock will be handled separately by the Scottish Government. Based on estimated figures from the previous SHIP, the Council anticipates a requirement for around 150 private sector adaptations annually. Given the wide range of potential adaptations involved, it is estimated that the total investment of around £750,000 would be required annually to address this level of need.

#### 4.9 **Equalities**

It is important that in preparing the SHIP the local authority should take into account the housing needs of the communities it serves and related equalities issues. In assessing the equalities impact of the SHIP, the Council has drawn on the equalities work already done for the LHS and HNDA, as well as previous SHIPs, and considered any implications flowing from the translation of strategic aims into housing priorities. In practice, in summary, the equalities commitment of the council and its partners will aim to ensure:

- building all new affordable housing to Housing for Varying Needs Standards;
- implementing design solutions which help to meet the needs of disabled and infirm households;
- assessing and seeking to resolve the needs and aspirations of households with community care needs in partnership;
- developing communities with a good mix of households by seeking on-site affordable housing appropriate to local requirements;
- allocating housing via HOME Argyll and specialist RSLs which has strong commitment to equal opportunities; and
- providing affordable housing in rural areas which enables young and old people to remain within their communities.

## **5.0 CONCLUSION**

5.1 The proposed SHIP 2015-2020 continues to focus on the delivery of LHS outcomes. This will be reviewed and revised as necessary in the light of annual LHS updates and from 2016/17 on, will take account of the fully revised LHS. The SLPA projects outlined in the proposed SHIP have been assessed for their feasibility and deliverability. The Council's contribution in terms of its facilitation role and also in terms of resource maximisation is clearly stated and remains a critical principle of the process. Throughout the development of the SHIP, key partners and stakeholders have been involved and will also be instrumental in the implementation of proposals. Finally, the SHIP demonstrates a strong commitment to equality issues.

5.2 Given the need to make adjustments to the programme to reflect additional funding and/or slippage, local authorities are required to consider how they can best secure the necessary authority to respond quickly to such changes. The Scottish Government expects local authorities, therefore, to secure approval to the SHIP at the necessary level both within the Council and with strategic partners, before the submission date of 28<sup>th</sup> November 2014. With this in mind, Forum partners have been consulted and agreed in principle on the proposals set out in this paper, including the prioritisation of projects within the SLPA and the list of potential shadow projects to be brought forward should circumstances and resources permit.

## **6.0 IMPLICATIONS**

6.1 **Legal:** Strategic Local Programme agreements will be concluded between the Council and Scottish Government.

- 6.2 **Financial:** The proposals are based on the Resource Planning Assumptions provided by the Scottish Government; the Strategic Housing Fund and RSL private finance.
- 6.3 **HR:** None
- 6.4 **Policy:** Proposals are consistent with current Council policy.
- 6.5 **Equal Opportunities:** The proposals are consistent with aims and objectives set out in the local housing strategy which has been subject to an EQIA.
- 6.6 **Risk:** Risk assessment is an integral part of each development and will be considered as the programme moves forward.
- 6.7 **Customer Service:** Increased access to a range of suitable, affordable housing options.

**Executive Director - Cleland Sneddon**  
**Policy Lead Cllr Robin Currie**  
27th November 2014

For further information contact: Donald MacVicar, Head of Community and Culture 01546 604364

**Appendix 1****Strategic Housing Fund (SHF) 2015-2018**

	£
<b><i>SHF Opening Balance 2014/2015</i></b>	<b>3,629,161</b>
<b><u>ESTIMATED INCOME 2015-2018</u></b>	
Estimated income from Council Tax on Second Homes 2015-2018 (£1.9m x 4yrs)	7,600,000
<b>SHF COMMITMENTS 2015-2018</b>	
SHIP 2015-2018 (330 units at £25k per unit)	8,250,000
Empty Homes Grants (SOA) 2015-18	500,000
Empty Homes Loans	110,000
	<b>8,860,000</b>
<b><i>SHF Uncommitted Balance</i></b>	<b>2,369,161</b>

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**ARGYLL AND BUTE COUNCIL****COUNCIL****CUSTOMER SERVICES****27 NOVEMBER 2014**

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**COMPOSITION OF THE COUNCIL**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to inform the Council that the Executive Director – Customer Services has received written notification advising of the resignation of Councillor Vivien Dance from the Argyll and Bute for Change Alliance with immediate effect on 1 September 2014.
- 1.2 The report further advises the Council of the resignation of Councillors Dick Walsh, Donnie MacMillan, Len Scoullar, Jimmy McQueen, Alistair MacDougall, Alex McNaughton and Robert G MacIntyre; as members of the Alliance of Independent Councillors; from the Argyll and Bute for Change Alliance with immediate effect from 5 September 2014.
- 1.3 Confirmation from Councillor Duncan MacIntyre; becoming a member of Argyll First with effect from 12 September 2014.
- 1.4 Resignation from Councillor Bruce Marshall; as a member of the Argyll and Bute For Change Alliance; with effect from 22 September 2014.
- 1.5 Confirmation from Councillor Iain Angus MacDonald on 24 September 2014; of withdrawal of membership from the Administration; and now becoming a member of the Scottish National Party.
- 1.6 Notification from Councillor Robert E MacIntyre; that he is no longer a member of the Argyll and Bute For Change Alliance; and has joined Argyll First with effect from 13 October 2014.
- 1.7 The election of Councillor Iain Stewart MacLean, who stood as an SNP candidate, to the vacancy in Ward 5 on 23 October 2014.
- 1.8 This report outlines the updated Political Composition of the Council.
- 1.9 It is recommended that the Council note the terms of this report.

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ARGYLL AND BUTE COUNCIL

COUNCIL

CUSTOMER SERVICES

27 NOVEMBER 2014

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## COUNCIL COMPOSITION

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### 2.0 INTRODUCTION

- 2.1 The purpose of this report is to inform the Council that the Executive Director – Customer Services has received written notification advising of the resignation of Councillor Vivien Dance from the Argyll and Bute for Change Alliance with immediate effect on 1 September 2014.
- 2.2 The report further advises the Council of the resignation of Councillors Dick Walsh, Donnie MacMillan, Len Scoullar, Jimmy McQueen, Alistair MacDougall, Alex McNaughton and Robert G MacIntyre; as members of the Alliance of Independent Councillors; from the Argyll and Bute for Change Alliance with immediate effect from 5 September 2014.
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- 2.7 The election of Councillor Iain Stewart MacLean, who stood as an SNP candidate, to the vacancy in Ward 5 on 23 October 2014.

### 3.0 RECOMMENDATIONS

- 3.1 The Council is invited to note the terms of the report.

### 4.0 DETAIL

- 4.1 At the date of this report the composition of groups on the Council is as follows:-

Argyll and Bute Council Political Composition
<p><b>ARGYLL FIRST (5)</b></p> <p><b>Donald Kelly (Con) (Leader of Argyll First)</b>                      Duncan MacIntyre (Ind)                      John McAlpine (Ind)                      Douglas Philand (Ind)(Depute Provost)                      Robert E Macintyre (Ind)</p>
<p><b>THE ARGYLL, LOMOND AND THE ISLANDS GROUP (11)</b></p> <p>Rory Colville (LD)                      Robin Currie (LD)                      Aileen Morton (LD)  <b>Ellen Morton (LD) (Leader of the Argyll, Lomond and the Islands Group)(Depute Leader of the Council)</b>                      Maurice Corry (Con)                      David Kinniburgh (Con)                      Gary Mulvaney (Con)                      Elaine Robertson (Ind)                      George Freeman (Ind)                      Roddy McCuish (Ind)                      Mary Jean Devon (Ind)</p>
<p><b>ALLIANCE OF INDEPENDENT COUNCILLORS (7)</b></p> <p><b>Dick Walsh (Leader of Alliance of Independent Councillors)/                      (Leader of the Council)</b>                      Alistair MacDougall (Ind)                      Donnie MacMillan (Ind)                      Alex McNaughton (Ind)                      Jimmy McQueen (Ind)                      Len Scoullar (Ind) (Provost)                      Robert G MacIntyre (Ind)</p>
<p><b>SCOTTISH NATIONAL PARTY GROUP (7)</b></p> <p><b>Sandy Taylor (Leader of SNP Group)</b>                      Anne Horn                      James Robb                      Isobel Strong                      Richard Trail                      William Gordon Blair                      Iain Stewart MacLean</p>
<p>Iain Angus MacDonald (Ind)</p> <p>It is understood that Councillor MacDonald will form part of the SNP group of Councillors, formal confirmation of that position is awaited as at the date of this report.</p>
<p>Vivien Dance (Ind)</p>
<p>Neil MacIntyre (LAB)</p>

Bruce Marshall (Ind)
Michael Breslin (NPA)
Note: Ind = Independent SNP = Scottish National Party NPA = Not Politically Affiliated LD = Liberal Democrat Con = Conservative LAB = Labour

## 5.0 CONCLUSION

- 5.1 Following the resignation of a number of Councillors from the Argyll and Bute for Change Alliance, the Council is invited to note the terms of this report and the updated composition of the Council.

## 6.0 IMPLICATIONS

- 6.1 Policy - None
- 6.2 Financial - None
- 6.3 Legal - None
- 6.4 HR - None
- 6.5 Equalities - None
- 6.6 Risk - None
- 6.7 Customer Service - None

**Douglas Hendry - Executive Director of Customer Services**

19 November 2014

**For further information contact:** Charles Reppke, Head of Governance and Law  
Tel: 01546 604192

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**ARGYLL AND BUTE COUNCIL**  
**CUSTOMER SERVICES**

**COUNCIL**  
**27 NOVEMBER 2014**

---

**VACANCIES ON COMMITTEES AND OTHER BODIES**

---

**1.0 EXECUTIVE SUMMARY**

- 1.1 As a result of the resignation of Ward 1 Member, Councillor John Semple on Thursday 18 September 2014, vacancies have arisen on various Committees of the Council and on various outside bodies/organisations.
- 1.2 The Council is invited to make one appointment to each of the following Committees of the Council –
- Policy and Resources Committee
  - Community Services Committee
  - Performance Review and Scrutiny Committee
- 1.3 The Council is invited to make one appointment of a substantive member to each of the following outside bodies/organisations –
- Dunbartonshire and Argyll& Bute Valuation Joint Board
  - HITRANS – Highlands and Islands Transport Partnership
  - Strathclyde Concessionary Travel Scheme Joint Committee

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**VACANCIES ON COMMITTEES AND OTHER BODIES**

---

**2.0 INTRODUCTION**

- 2.1 The Council is invited to give consideration to the vacancies which have arisen on Council Committees and Outside Bodies/Organisations as a result of the resignation by Councillor John Semple on Thursday 18 September 2014.

**3. RECOMMENDATIONS**

- 2.1 The Council is invited to make one appointment to each of the following Committees of the Council –

Policy and Resources Committee  
Community Services Committee  
Performance Review and Scrutiny Committee

- 2.2 The Council is invited to make one appointment of a substantive member to each of the following outside bodies/organisations –

Dunbartonshire and Argyll& Bute Valuation Joint Board  
HITRANS – Highlands and Islands Transport Partnership  
Strathclyde Concessionary Travel Scheme Joint Committee

**4.0 DETAIL**

- 4.1 The constitution of the three Committees requiring an appointment is as follows –

4.1.1 Policy and Resources Committee

Sixteen members, the Leader and Depute Leader to be Chair and Vice Chair of the Committee. The composition of which will have regard to geographic and political balance in so far as practicable.

4.1.2 Community Services Committee

Sixteen members. The relevant Policy Lead shall Chair the items relevant to their brief and in the event that an item has relevance to more than one Policy Lead then, failing agreement between or among them then the Committee shall determine who shall Chair the item.

4.1.3 Performance Review and Scrutiny Committee

11 members to be appointed, 4 from the Opposition, 3 from the administration, 3 Community Planning Partnership nominees and an independent Chair who shall be appointed from time to time as determined by the Council.

## **5.0 CONCLUSION**

**5.1** Due to the resignation of Ward 1 Member, Councillor John Semple on Thursday 18 September 2014, the Council is invited to make an appointment of one elected member to the Policy and Resources Committee, the Community Services Committee and the Performance Review and Scrutiny Committee. The Council is also invited to make one appointment to the Dunbartonshire and Argyll & Bute Valuation Joint Board, to HITRANS – Highlands and Islands Transport Partnership and to Strathclyde Concessionary Travel Scheme Joint Committee.

## **6.0 IMPLICATIONS**

6.1 Policy - None

6.2 Financial - Travel and Subsistence costs of Members attending meetings

6.3 Legal - None

6.4 HR - None

6.5 Equalities - None

6.6 Risk - None

6.7 Customer Service - None

**Douglas Hendry**  
**Executive Director of Customer Services**

28 October 2014

**For further information contact:** Charles Reppke, Head of Governance and Law

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**ARGYLL AND BUTE COUNCIL****COUNCIL****CUSTOMER SERVICES****27 NOVEMBER 2014**

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**COSTS AND SAVINGS FROM EARLY DEPARTURES FROM COUNCIL  
EMPLOYMENT 2013/14**

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**1.0 EXECUTIVE SUMMARY**

This report provides Council with information on the costs and savings associated with early departure from council employment due to early retirement or redundancy between April 2013 and March 2014.

This information is published as part of the Council's compliance with the Audit Scotland recommendations in its report 'Bye Now, Pay Later'.

The costs of early departures has been £1,000,448, the annual savings are £1,029,220 and the savings over a 3 year period are £2,087,212.

It is recommended that Council note the costs and savings associated with early departures.

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**ARGYLL AND BUTE COUNCIL**

**COUNCIL**

**CUSTOMER SERVICES**

**27 NOVEMBER 2013**

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**COSTS AND SAVINGS FROM EARLY DEPARTURES FROM COUNCIL  
EMPLOYMENT 2013/14**

---

**2.0 INTRODUCTION**

2.1 The purpose of this report is to outline to Council the employee costs associated with redundancies that have taken place between 1 April 2013 and 31 March 2014 and managed by the HR team.

**3.0 RECOMMENDATIONS**

3.1 It is recommended that Council note the contents of the report.

**4.0 DETAIL**

4.1 An integral part of the Council's transformation process has been a series of service reviews, which were largely completed by March 2013. There have, however, been some ongoing reviews in the reporting period which have resulted in posts being deleted from the Council's staffing establishment.

4.2 This report relates to those employees who left the Council's employment during the reporting period and does not include accruals for future, planned redundancies.

4.3 28 Employees were given voluntary redundancy and 17 employees were made compulsory redundant. 10 employees facing redundancy were successfully redeployed into other posts.

4.4 The report complies with the reporting recommendations made by Audit Scotland in their report 'Bye Now, Pay Later' that annual reporting is made to Councils outlining the costs of early departures.

4.5 The Council operates a policy of looking at a 3 year payback of redundancy costs, evidence of this has to be approved by finance to approve the process.

4.6 The annual salary savings are £1029220 inclusive of 25% employee on-costs for employers NI and pension contributions. See table below.

<b>Redundancies</b>			
Annual salary savings + 25% oncosts	Cost of redundancy (including compensatory added years to pension for 3 years)	Savings made over 3 year period	Ongoing savings after year 3
£1,029,220	£1,000,448	£2,087,212	£1,029,220

## 5.0 CONCLUSION

- 5.1 The process undertaken by the HR team has been completed on time and has resulted in the Council successfully achieving savings over a 3 year period as below:
- 5.2 The HR team has focused its activities on ensuring that we deliver on the Council's key objective as set out in the Redundancy Policy, which is to minimize compulsory redundancy as much as possible. This can be seen in the final outturn.

## 6.0 IMPLICATIONS

- 6.1 Policy This paper complies with the council's Redundancy Policy
- 6.2 Financial Significant savings to the council's wage bill have been made
- 6.3 Legal All policies and procedures relating to redundancy are reviewed to ensure continuing compliance with the relevant legislation
- 6.4 HR It is widely recognised that there can be a negative impact on morale of employees who remain in employment on the completion of a significant redundancy exercise. HR will support managers in improving morale.
- 6.5 Equalities Equality Impact Assessments are conducted as part of the Service Review Process.
- 6.6 Risk None
- 6.7 Customer Service None

### Executive Director of Customer Services

#### Policy Lead Dick Walsh

3 November 2014

**For further information contact:** Jane Fowler, Head of Improvement and HR, Aileen, McCosh, Senior HR Officer

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**ARGYLL AND BUTE COUNCIL****COUNCIL****STRATEGIC FINANCE****27 NOVEMBER 2014**

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**AUDITED ACCOUNTS 2013-14**

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**1. EXECUTIVE SUMMARY**

- 1.1 This report sets out the outcome of the External Auditors (Audit Scotland) audit of the Council's financial statements for 2013-14. The audited accounts incorporating the audit certificate are attached along with a set of summary accounts and a financial snapshot which can fit on a single sheet of paper all related to 2013-14 financial year.
- 1.2 The accounts were completed and submitted by the statutory date of 30 June 2014. The audit has been completed within the timescale of 30 September 2014, set by Audit Scotland. The audit certificate includes no qualifications. External Audit was able to conclude that the accounts represented a true and fair view of the Council's financial position at the 31 March 2014.
- 1.3 The significant changes made to the audited accounts were:
- An increase in the Equal Pay Provision of £0.368m
  - To provide for Standby Payments for Development and Infrastructure Services of £0.132m
- 1.4 The effect of these adjustments was to reduce the Surplus on the Provision of Services by £0.500m which reduced the General Fund Balance by a similar amount from £44.541m to £44.041m.
- 1.5 The external audit report identifies 2 errors where it was agreed not to amend the accounts. These would have reduced the General Fund Balance by £0.011m.
- 1.6 The financial position of the Council based on the audited accounts can be summarised as follows:
- Surplus on provision of services for 2013-14 £1.694m
  - Total assets less liabilities at 31 March 2014 £174.825m
  - General fund balance at 31 March 2014 £44.041m of which £29.454m was earmarked.
- 1.7 The audited accounts and terms of the audit certificate are noted and the summary accounts and financial snapshot are also noted.

**AUDITED ACCOUNTS 2013- 2014**

---

**2. INTRODUCTION**

2.1 The external auditors (Audit Scotland) have completed their audit of the Council's accounts for the year to 31 March 2014. The audited accounts incorporating the audit certificate for 2013-14 are attached. The audit certificate contains no qualifications.

**3. RECOMMENDATIONS**

3.1 The audited accounts and terms of the audit certificate are noted and the summary accounts and financial snapshot are also noted.

**4. DETAIL**

4.1 The audited accounts including the audit certificate are attached.

4.2 Also attached are a set of summary accounts and a financial snapshot which fits on a single sheet of paper. These are based on the audited accounts but have not been audited themselves.

4.3 The accounts were completed and submitted by the statutory date of 30 June 2014. The audit has been completed within the timescale of 30 September 2014, set by Audit Scotland.

4.4 The audit certificate on the Council's accounts for the year ended 31 March 2014 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 2014.

4.5 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.

- An increase in the Equal Pay Provision of £0.368m.
- An increase in the accrued expenditure in relation to standby pay for Development and Infrastructure Services staff of £0.132m.

4.6 The table below reconciles the changes from unaudited accounts to audited accounts for the Surplus on Provision of Services, the General Fund Balance and Total Assets less Liabilities.

	<b>Surplus On Provision of Services £m</b>	<b>General Fund Balance £m</b>	<b>Total Assets Less Liabilities £m</b>
Unaudited Accounts	2.194	44.541	175.325
Increase in Equal Pay Provision	(0.368)	(0.368)	(0.368)
Standby Provision for Development and Infrastructure	(0.132)	(0.132)	(0.132)
<b>Audited Accounts</b>	<b>1.694</b>	<b>44.041</b>	<b>174.825</b>

4.7 The committed funds within the General Fund Balance were £29.454m per the audited accounts. This leaves a free General Fund Balance of £13.669m. This equates to 5.6% of the Council's budgeted net expenditure for 2014-15 and exceeds the agreed contingency level approved as part of the 2014-15 budget process. In August 2014 the Policy and Resources Committee agreed the use of the free balance on the general fund be directed exclusively to the theme of economy and jobs and proposals to increase income / reduce costs for the Council with further reports to be brought forward setting out more detailed proposals.

4.8 The external audit report identifies 2 errors where it was agreed not to amend the accounts. These would have reduced the General Fund Balance by £0.011m. They comprise.

	<b>£m</b>
Under accrual of Creditors invoices	(0.011)
Provision for future restoration and aftercare costs for landfill sites - It was decided not to increase the value of landfill sites and create an offsetting provision to reflect the restoration and aftercare costs of landfill sites. Any impact on income and expenditure from changes to the discounted cash flow values of these costs would have been offset by statutory mitigation with no impact on the General Fund balance. Accordingly a view was taken these would not be material adjustments. The impact on the balance sheet would have been:	
• Property, Plant and Equipment	1.595
• Provisions	(1.595)
Net unadjusted error	(0.011)

## 5. CONCLUSION

5.1 This report advises members on the conclusion of the audit of the accounts. The external auditor's certificate is unqualified. The audit was completed within the required timescales. Minimal adjustments were made to the accounts during the audit process.

**6. IMPLICATIONS**

6.1	Policy –	None.
6.2	Financial -	None
6.3	Legal -	None.
6.4	HR -	None.
6.5	Equalities -	None.
6.6	Risk -	None.
6.7	Customer Service -	None.

**Bruce West, Head of Strategic Finance**  
**Dick Walsh Council Leader and Policy Lead for Strategic Finance**

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

Appendix 1 – Summary of Main Changes to Financial Statements Arising from  
Audit



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

Section of Financial Statements Changes	Audited Accounts £000s	Unaudited Accounts £000s	Change £000s	Comments / Explanation
<b>Comprehensive income &amp; Expenditure Account (Pages 35-36 of audited accounts)</b>				
Net cost of service	233,684	233,149	535 (Dr)	Increase in Equal Pay Provision of £400k and inclusion of a provision for Standby Pay of £132k for Development and Infrastructure Services. Re-classification of income from net cost of service to Interest and Investment Income
Total Financing and Investment Income and Expenditure	22,010	22,045	(35) (Cr)	Re-classification of £0.035m of income from net cost of service to Interest and Investment Income
(Surplus) / Deficit on Provision of Services	(1,694)	(2,194)	500 (Dr)	Net effect of above
<b>Statement of Movement in Reserves (Pages 31-32 of audited accounts)</b>				
Surplus) / Deficit on Provision of Services	(1,694)	(2,194)	500 (Dr)	See Comprehensive Income and Expenditure Account above.
Increase / (Decrease) in General Fund Balance for the Year	2,097	1,597	500 (Dr)	Net effect of above
Balance on General Fund Carried Forward	(44,041)	(44,541)	500 (Dr)	Net effect of above
<b>Balance Sheet (Page 37 of audited accounts)</b>				
Current Liabilities - Provisions	(2,423)	(1,863)	560 (Cr)	Increase in Equal Pay Provision by £0.368m and new provision for Standby Pay of £0.132m. Re-classification of Provisions from Long Term to Current £0.060m
Long-term Liabilities - Provisions	(101)	(161)	60 (Dr)	Re-classification of Provisions from Long Term to Current £0.060m.
Total assets less liability	174,825	175,325	500 (Cr)	Net effect of above

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## **Audited Financial Statements**

for the year ended 31 March 2014



## LANGUAGE OPTIONS

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

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

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

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

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

یہ 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**

**Tel: 01546 604220**

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## Explanatory Foreword by the Head of Strategic Finance

### INTRODUCTION

The Financial Statements demonstrate the Council's stewardship of the public funds it controls. The financial results for 2013-14 are set out on pages 31 to 39. Note 1 to the Financial Statements on pages 40 to 52 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

### FINANCIAL PERFORMANCE

#### Statement of Movement in Reserves

The total Council reserves have decreased from £180.742m at 31 March 2013 to £174.825m at 31 March 2014, a decrease of £5.917m. This is represented by a Surplus on Provision of Services of £1.694m offset by a deficit in Other Comprehensive Income and Expenditure of £7.611m.

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 £4.139m from £130.438m at 31 March 2013 to £126.299m at 31 March 2014. The main reasons for this are an increase in the Pension Reserve Liability of £18.473m, partly offset by a surplus on the revaluation of fixed assets of £4.387m and the transfer of £10.998m from the Comprehensive Income and Expenditure Statement for Capital Grants.

The Usable Reserves have decreased from £50.304m at 31 March 2013 to £48.526m at 31 March 2014, a decrease of £1.778m. The main reason for this is a decrease in the General Fund Balance of £2.097m.

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 £3.791m. In summary this debit represents the difference between:

- Principal repayment to the loans fund and 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.

## Explanatory Foreword by the Head of Strategic Finance

- 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 and the amounts paid under the contracts.

The net surplus on the Provision of Services on the Comprehensive Income and Expenditure Statement of £1.694m less the adjustments to reflect impact on Council Tax of £3.791m equates to the decrease on the balance on the General Fund of £2.097m.

### General Fund Reserve

The balance on the General Fund at 31 March 2014 stands at £44.041m compared to £46.138m at 31 March 2013, a decrease of £2.097m. The "free" General Fund Balance stands at £13.669m at 31 March 2014. This equates to 5.6% of the net revenue expenditure for 2014-15, 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 £30.372m and are laid out in note 5 on page 56. The main balances include £7.484m for the Strategic Housing Fund generated from Council Tax on second homes, £3.0m earmarked as a revenue contribution to capital as a contribution to Dunoon and Campbeltown Schools, £9.5m contribution to investment in affordable housing and £7.298m earmarked from service budget underspends to support corporate and service improvement plans.

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

	£m	£m
<b>Balance on General Fund 31 March 2013</b>		<b>46.138</b>
Release of sums previously earmarked to service budgets 2013-14		(9.314)
Supplementary Estimates agreed during 2013-14		(0.062)
Budgeted Contribution to General Fund Balance 2013-14		(1.051)
		<b>35.711</b>
<b>Add outturn for 2013-14:</b>		
Increase in Council Tax income	0.530	
Joint Boards Reserve Redistribution	0.170	
One off Severance Costs for 2013-14	0.698	
Net underspend on departmental and other expenditure compared to budget	1.962	
<b>Surplus against budget 2013-14</b>		<b>3.360</b>
<b>Contributions to Earmarked Reserves 2013-14:</b>		
Council Tax collection on second homes	2.061	
Funds earmarked by departments from budgets	2.909	
		<b>4.970</b>
<b>Balance on General Fund 31 March 2014</b>		<b>44.041</b>

## Explanatory Foreword by the Head of Strategic Finance

The release of sums already earmarked to service budgets of £9.314m consists of funds released to services of amounts previously earmarked for specific purposes, for example unspent budget within the Devolved Management of Resources Scheme of Delegation for Schools, Strategic Housing Fund payments and unspent grant and third party contributions required for specific purposes.

### Performance against budget

At the year-end, expenditure excluding Joint Board requisitions and severance was underspent by £0.842m. 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	0.097	4.27%
Community Services	(0.270)	(0.21)%
Customer Services	1.544	4.14%
Development and Infrastructure Services	<u>(0.529)</u>	<u>(1.48%)</u>
<b>Departmental Outturn</b>	<b>0.842</b>	<b>0.40%</b>
Non-Departmental expenditure	1.120	3.19%
Joint Boards and Severance Costs	<u>0.868</u>	<u>19.33%</u>
<b>Expenditure Outturn</b>	<b>2.830</b>	<b>1.12%</b>
Funding	<u>0.530</u>	<u>0.21%</u>
<b>Outturn Total</b>	<b>3.360</b>	<b>1.33%</b>

The underspend in the Chief Executives Unit relates to vacancy savings. In Community Services there was an overall overspend due to an increase in the equal pay provision. The underspend in Customer Services is due to procurement savings. The overspend in Development and Infrastructure Services mainly relates to the additional costs associated with winter maintenance and coastal protection. The projected year-end position for the departments was forecast and monitored during 2013-14 and steps were taken to ensure that overall the departmental year-end variance position was not unfavourable.

### Comprehensive Income and Expenditure Statement

The Council ended the year with an accounting deficit of £5.917m for 2013-14 compared to a surplus of £3.655m in 2012-13, 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 2013-14 represents the decrease in the net worth of the Council from £180.742m at 31 March 2013 to £174.825m at 31 March 2014. 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 £1.694m and a surplus on the revaluation of Long Term Assets of £4.387m; these are partly offset by an actuarial loss on the pension fund assets/liability of £11.998m.

## Explanatory Foreword by the Head of Strategic Finance

The surplus on the provision of services of £1.694m compares to a surplus of £19.795m for 2012-13. The main factors contributing to these changes are as follows:

- Taxation and Non-Specific Grant Income decreased from £274.177m to £258.459m, a decrease of £15.718m (5.7%). This decrease in income reflects a general year on year decrease in General Government Grants and a reduction in Council Tax income due to the transfer of funds in respect of Police and Fire which have been transferred out of local government.
- Financing and Investment Income and Expenditure increased from £19.888m in 2012-13 to £22.010m in 2013-14, an increase of £2.122m (10.7%). The increase is due to a rise in interest payable and similar charges, a fall in interest and investment income and a decrease in the expected return on pension assets.
- Other Operating Income and Expenditure decreased from £2.974m in 2012-13 to £1.071m in 2013-14, a decrease of £1.903m (64%). This is due to a decrease in the loss on disposal of long term assets.
- The Net Cost of Services has increased from £231.520m in 2012-13 to £233.684m in 2013-14, an increase of £2.164m (0.9%). This is an increase in expenditure in accounting terms and does not necessarily represent a true increase in spend on services by the Council. This increase would have been greater but for the transfer of Police and Fire services out of local government in 2013-14 (Expenditure in 2012-13 of £11.856m).

### Balance Sheet

As indicated above the accounting net worth of the Council has decreased by £5.917m from £180.742m at 31 March 2013 to £174.825m at 31 March 2014.

The value of long term assets has increased from £500.353m at 31 March 2013 to £514.498m at 31 March 2014, an increase of £14.145m (2.8%). 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 decreased from £63.678m at 31 March 2013 to £57.652m at 31 March 2014, a decrease of £6.026m. The main reason for this being a decrease in Cash and Cash Equivalents of £5.793m from £11.868m at 31 March 2013 to £6.075m at 31 March 2014.

Total current liabilities have increased from £42.899m at 31 March 2013 to £48.746m at 31 March 2014, an increase of £5.847m. Short term borrowing has increased by £7.703m from £3.739m at 31 March 2013 to £11.442m at 31 March 2014, partly offset by Short term creditors which have decreased by £2.313m from £35.295m to £32.982m. In addition, there has been an increase in short term provisions of £0.240m, 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 £340.390m at 31 March 2013 to £348.579m at 31 March 2014. The increase of £8.189m is primarily due to the increase in the IAS19 valuation of the pension scheme liability from £99.864m to £118.337m, partly offset by a decrease in Borrowing Repayable within a period of 12 Months of £8.351m.

## Explanatory Foreword by the Head of Strategic Finance

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### 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 2013 was £11.868m and decreased by £5.793m to £6.075m at 31 March 2014. The Net Cash Flows from Operating Activities have decreased from £27.191m at 31 March 2013 to £5.335m at 31 March 2014, this decrease of £21.856m represents a decrease in the Council's expenditure being funded from taxation and grant income. Cash outflows for Investment Activities have decreased from £29.473m during 2012-13 to £10.133m in 2013-14, as a result of a decrease in the purchase of long term assets and a year on year reduction in the value of surplus cash investments made during the year. Cash flows from Financing Activities were an inflow of £1.337m during 2012-13 and £0.995m during 2013-14, this change relates to £0.410m of other receipts from financing activities during 2013-14 which was in relation to Short and Long Term Borrowing.

### Pension Liability

As noted above the IAS19 valuation of the pension scheme liability has increased from £99.864m at 31 March 2013 to £118.337m at 31 March 2014. 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 2014.

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.

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 2014. 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

During 2013-14 a review of the Roads and Lighting Trading Account and the Catering and Cleaning Trading Account was performed to consider whether they met the definition of a trading operation, it was decided in view of their limited trading with external organisations and the general public that both trading accounts should cease from the 1<sup>st</sup> April 2013 and their operations be included within the appropriate service expenditure head.

### 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 2013-14 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:

	£'m
Gross Capital Expenditure	32.685
Less: Capital Receipts	0.310
Government Grants and Other Contributions	10.998
Revenue Contributions	3.910
Balance Funded from Borrowing	<b>17.467</b>

The capital financing requirement at 31 March 2014 was £256.463m. This was financed as follows:

	£'m
Long Term Borrowing	151.520
Short Term Borrowing	9.661
Schools NPDO Finance Lease Liability	79.604
Internal Funds	15.678
	<b>256.463</b>

The external borrowing of the Council at 31 March 2014 amounted to £161.181m. 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 £0.702m of new external borrowing. This was used to finance capital expenditure incurred during the year. The Council also repaid loans of £0.141m.

### 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 £0.338m has been created in 2013-14 for the termination benefits for employees who have accepted redundancy but are not planned to leave until after 31 March 2014. Termination costs for all Council employees who have accepted redundancy by 31 March 2014 have been accounted for in 2013-14 or in previous years.
- Equal Pay - the Council settled most of the remaining outstanding claims during 2012-13. A provision was held for claims where settlement offers were made and a reliable estimate could be made of the liability. There is a provision of £0.400m remaining and there are a few further outstanding claims where the settlement amount cannot be estimated reliably enough to provide for the costs.
- Utilities Provision - a total of £0.726m has been provided for to cover the cost of a potential liability in relation to discrepancies in charges for utility costs.

### CHANGES IN ACCOUNTING POLICY

The Code has introduced one material change to the accounting policies in relation to accounting policy 1.6.3 Post-Employment Benefits on pages 42 to 43. The impact of this change in policy requires the 2012-13 prior year statements (Statement of Movement in Reserves and Statement of Comprehensive Income and Expenditure and Cash Flow Statement) and associated notes to be restated. The specific impact of the restatements is outlined in note 29 on page 82.

## Explanatory Foreword by the Head of Strategic Finance

### GROUP ACCOUNTS

The Group Accounts have been prepared and for the first time do not include the Strathclyde Police Joint Board and Strathclyde Fire and Rescue Joint Board after the formation of the new single police and fire and rescue services on 1 April 2013. The joint board arrangements have ceased and are no longer part of the authority's group arrangements. Consequently, the opening balance sheet has been adjusted to reflect the assets, liabilities and reserves transferred to the relevant new bodies on 1 April 2013.

The opening balance sheet was adjusted from a net liability position of £77.873m to a net asset position of £185.239m. During the year this revised opening position decreased by £2.852m to £182.387m. This movement can be mainly attributed to a reduction in Argyll and Bute Council's single entity reserve position of £5.917m offset by an increase in Common Good reserve of £3.724m.

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 financial outlook for 2014-15 and 2015-16 is one of relative financial stability. The Council adopted a 2 year budget for 2014-15 and 2015-16 in February 2014. This will see budgetary savings based on achieving 1% cashable efficiency savings for each of these financial years. The 2 years of financial stability will allow time to carry out a longer term review of the resources available to the Council and how they are used to deliver on priorities and objectives.

The Council as part of the community planning partnership (CPP) has agreed an ambitious single outcome agreement (SOA) which has an overall objective of reversing economic and population decline. Economic and population decline along with further reductions in public sector funding set out a very challenging agenda for the period beyond 2016-17 and it is important the Council with the CPP seeks to address these for the longer term.

The review of how the Council uses its resources to deliver on priorities and objectives and also the delivery plans that underpin the SOA will be important in mapping out the future financial plans of the Council. Related to this the Council agreed in February 2014 to consider how best to utilise the free balance on the General Fund Reserve to support economic development and population growth.

The Council will continue to monitor the financial implications of new commitments around the Children and Young Peoples Act, extension of free pre-school education and extension of free school meals. The Council continues to work actively in responding to the challenges arising from the welfare reform agenda. The integration of health and social care represents a significant change to delivery of key local government services. The Council is working in partnership with NHS Highland to ensure the integration of health and social care service in Argyll and Bute from 1 April 2015.

## Explanatory Foreword by the Head of Strategic Finance

The 3 year capital plan has been agreed by the Council for the period to 2015-16, the table below summarises the capital budget plans for the 3 years to 2015-16:

	2014-15 £m	2015-16 £m	2016-17 £m
<b>Total Capital Expenditure</b>	<b>50.185</b>	<b>44.218</b>	<b>18.570</b>
<b><i>Funded by:</i></b>			
Borrowing	30.499	27.160	-
Capital Grant	12.887	11.756	10.640
Contribution from Smoothing Funds	3.000	-	-
Contribution from Revenue Budget	1.155	0.286	-
Capital Receipts	2.644	5.016	7.930

Capital funding has been declining and will continue to decline and this will have an increasing impact on the level of capital investment that the Council will be able to afford going forward. This reduction in funding will increase the importance of asset management to ensure the funding is directed towards the assets required for service delivery and that the existing assets deployed in service delivery continue to meet service needs.

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 2014-15 and the revenue budget and capital plan reviewed for 2015-16.



Bruce West  
Head of Strategic Finance  
**26 September 2014**



## Statement of Responsibilities for the Statement of Accounts

### THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure 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.
- to 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 2014 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 2013-14.

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 2014.

A handwritten signature in black ink, appearing to read 'Bruce West'.

Bruce West  
Head of Strategic Finance  
**26 September 2014**

## 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, Argyll and Bute Council, 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 based on the following key elements:

- 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;
- engaging with local people and other stakeholders to ensure robust public accountability;
- setting out and reviewing as appropriate the arrangements for governance and the roles and responsibilities of elected members and employees in standing orders, a scheme of delegation, financial and security regulations and codes of conduct for elected members and employees;
- having in place job descriptions, a system of performance review and development and management and leadership development programmes to set out the roles and responsibilities of and support for the development needs of senior officers;
- ongoing development of an elected member development programme. This includes a range of approach from a CPD framework, 360 degree feedback and self-assessment. A programme of seminar around leadership, governance and functional topics has been developed;
- incorporating an anti-fraud strategy in to the Council's financial and security regulations. This sets out the arrangements for prevention of fraud and corruption and also detection and investigation of fraud and corruption; and
- developing governance over partnerships to ensure effective joint working and delivery of Council objectives. This includes arrangements for governance of the community planning partnership, management committee and chief officer level. Performance of police and fire services is reported to the Performance Review and Scrutiny Committee.

## Statement of Governance and Internal Control

### 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.

### AUDIT SCOTLAND STATUTORY REPORT

The Council was the subject of statutory report by the Controller of Audit during 2013-14. The report considered the effectiveness of councillor to councillor and councillor to officer working relationships. The Accounts Commission considered the statutory report and its findings can be summarised as follows:

- serious concern about substantial risks to the council caused by the instability of elected member leadership;
- the quality of leadership of the Council has been inadequate;
- elected members need to achieve a more effective balance between focusing on local issues and priorities and the longer term strategic objectives of the council;
- the role of Monitoring Officer needs to be afforded trust and respect and members must have confidence in the comprehensiveness of information provided by officers;
- the council's current political management arrangements are not fit for purpose; and
- elected members and officers must work together to ensure fuller use of training and of external support.

The council accepted the statutory report and agreed an action plan addressing the matters raised in the report. A follow up visit was carried out by Audit Scotland during April and May 2014 and a report issued in June 2014. The follow up report notes that:

- the Council had responded constructively to the statutory report and is making progress with improvement work in line with planned timescales although it is too early to assess the effectiveness of the actions completed;
- the political leadership and political dynamics of the council are more stable and the risk to the council is currently reduced but future significant challenges will provide a test to stability;
- new political management arrangements provide a sound basis for improved governance and these will require support to ensure they are fully effective; and
- planned work on training and development and forward planning should support improvement in scrutiny and address the need for improved engagement by elected members.

### 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.

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

## Statement of Governance and Internal Control

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 financial 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 officers within the Council and the above named bodies. In particular the system includes:

- comprehensive budgeting systems;
- regular reviews by the Council and the above named bodies of periodic and annual financial reports which indicate financial performance against forecast;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against forecast;
- clearly defined capital expenditure guidelines;
- project management disciplines;
- guidance relating to financial processes, procedures and regulations; and
- an effective Internal Audit Section.

### RISK MANAGEMENT

The Council's Risk Management and Business Continuity Strategies continued to be developed in 2013-14. Regular updates on risk management were submitted to the Audit Committee. A detailed review of the Strategic Risk Register was undertaken during 2013-14. Operational Risk Registers were reviewed and updated on a regular basis. A separate internal audit of risk management was carried out during the year.

### INTERNAL AUDIT

Argyll and Bute Council and the above named bodies have internal audit functions, which operate 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, with annual internal audit plans prepared based on that analysis. The Council's and the named bodies' Audit Committees endorse the analysis of risk and internal audit plans.

The Chief Internal Auditor provides the Audit Committee with an annual report on internal audit activity in the Council. Staffing levels and time spent addressing the new Public Sector Internal Audit standards substantially reduced the time spent on internal audits and the scope of the audit plan was revised with some audits carried forward to 2014-15. The annual report includes an independent opinion on the adequacy and effectiveness of the Council's systems of governance and internal control and concludes that systems for internal control were effective during 2013-14 with no identified material weaknesses.

The Chairman and Vice Chairman are independent lay members of the Audit Committee.

During 2013-14 the Council assessed its internal audit function against the new Public Sector Internal Audit Standards. Arising from that an action plan was prepared to address improvement in relation to internal audit. Good progress is being made with this plan.

## Statement of Governance and Internal Control

### ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2013-14, particularly in the context of continuous improvement within the Council:

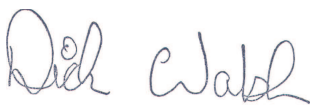
- development of delivery plans for the single outcome agreement (SOA) and ensuring this is reflected in council priorities;
- ensuring resources and budget are aligned to support council priorities and SOA delivery plans;
- ongoing development of performance management and improving performance scrutiny;
- reviewing arrangements for partnership governance given increasing importance of community planning and the single outcome agreement and the integration of health and social care;
- further development of risk management to ensure risk management and business continuity are embedded within the council.
- ensuring the internal audit function is fully resourced and work is planned to ensure the 2014-15 audit plan is delivered and that further improvements in the development of internal audit are achieved;
- the action plan prepared in response to the Audit Scotland Statutory report continues to be delivered timeously;
- reviewing arrangements for collection of income in relation to piers and harbours;
- the Council will consider external audit management letters in respect of Helensburgh CHORD and the Submarine Museum; and
- during 2013-14 the Council received 1,103 FOI requests of which 1,048 (95%) were responded to within the required timescale.

### 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 2013-14 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.



CLlr Dick Walsh  
Leader



Sally Loudon  
Chief Executive



Bruce West  
Head of Strategic Finance

26 September 2014

## The Remuneration Report

### BACKGROUND

The Local Authority Accounts (Scotland) Amendment Regulations 2011 amended the Local Authority Accounts (Scotland) Regulations 1985 to require Scottish Local Authorities to prepare a Remuneration Report as part of its Annual Financial Statements. All information disclosed in the tables in this Remuneration Report has been audited by Audit Scotland. All other sections within the Remuneration Report have been reviewed by Audit Scotland to ensure it is consistent with the 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 2013-14 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 their 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% 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 £0.284m. 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.

In 2013-14 Argyll and Bute Council had 12 senior councillors in the administration up to 26 September 2013 and 14 senior councillors in the administration from 31 October 2013. The total salary remuneration for senior councillors during 2013-14 was £0.259m. 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 2014. 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	2013-14	2012-13
	Actual £'000	Actual £'000
Basic Councillor Salaries	365	362
Leader and Provost's Salary	59	58
Senior Councillor Salaries	259	264
Other Expenses and Allowances paid to Members	175	169
<b>Total Allowances</b>	<b>858</b>	<b>853</b>

The annual return of councillors' salaries and expenses for 2013-14 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>.

## The Remuneration Report

### 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	Responsibility	2013-14			2012-13
		Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £
Councillor Isobel Strong	Provost (from 22/05/12 to 31/10/13)	15,207	-	-	19,933
Councillor Len Scoullar	Provost and Lead Councillor for Island Affairs (from 31/10/13), European Issues Spokesperson (from 6/12/10 to 3/5/12)	9,185	-	-	3,238
Councillor Roddy McCuish	Leader and Lead Councillor for European Affairs (from 23/5/13 to 26/9/13), Depute Leader and Lead Councillor for European Affairs (from 14/02/13 to 23/5/13), Leader (from 22/05/12 to 14/02/13)	17,614	32	-	26,123
Councillor James Robb	Lead Councillor for Strategic Finance (from 23/5/13 to 26/9/13), Leader and Lead Councillor for Strategic Finance (from 14/02/13 to 23/5/13), Lead Councillor for Strategic Finance and European Affairs (from 22/05/12 to 14/02/13)	14,115	-	-	20,693
Councillor Dick Walsh	Leader (from 26/9/13), Lead Councillor for Strategic Finance (from 31/10/13), Lead Councillor for the Opposition (from 22/5/12 to 26/9/13), Leader (to 3/5/12)	26,011	669	-	20,828
Councillor Douglas Philand	Depute Provost and Lead Councillor for Adult Care (from 31/10/13), Depute Provost and Area Leader for Mid Argyll, Kintyre and the Islands (from 21/03/13 to 31/10/13), Depute Provost and Lead Councillor for Human Resources and Sport (from 22/05/12 to 21/03/13),	21,434	-	-	19,933



## The Remuneration Report

Senior Members	Responsibility	Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £	Total Remuneration £
Councillor Ellen Morton	Depute Leader (from 26/9/13), Lead Councillor for Roads, Amenity Services, Infrastructure, Asset Management and Special Projects (from 31/10/13), Education and Lifelong Learning Spokesperson (from 6/12/10 to 3/5/12)	8,675	-	-	8,675	3,164
Councillor John Semple	Lead Councillor for Environment, Development and Infrastructure (from 23/8/12 to 26/9/13), Depute Leader (from 22/5/12 to 14/02/13), Lead Councillor for Energy, Development, Infrastructure and Tourism (from 22/5/12 to 23/8/12),	12,844	233	-	13,077	21,058
Councillor Duncan MacIntyre	Lead Councillor for European Affairs, Sustainable Economic Growth and Strategic Transportation (from 31/10/13), Transport and Infrastructure Spokesperson (to 3/5/12)	8,675	-	-	8,675	3,164
Councillor Donald Kelly	Lead Councillor for Improvement, HR, Customer Support and Facility Services (from 31/10/13), Lead Councillor for Renewables and Tourism (from 23/8/12 to 26/9/13), Lead Councillor for Roads and Amenity Services (from 22/5/12 to 23/8/12),	17,937	-	-	17,937	19,933
Councillor Robin Currie	Lead Councillor for Community & Culture and Strategic Housing (from 31/10/13), Rural and Island Affairs, Housing and Gaelic Spokesperson (from 6/12/10 to 3/5/12)	11,010	522	-	11,532	3,277
Councillor Vivien Dance	Lead Councillor for Sustainable Environment, Renewables and Strategic Tourism (from 31/10/13), Chair - Helensburgh and Lomond Area Committee (from 6/12/10 to 3/5/12)	8,675	-	-	8,675	2,593

## The Remuneration Report

Senior Members	Responsibility	2013-14				2012-13
		Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £	Total Remuneration £
Councillor Aileen Morton	Lead Councillor for Education, Lifelong Learning and Strategic IT Services (from 31/10/13)	8,675	-	-	8,675	-
Councillor David Kinniburgh	Chair of Planning, Protective Services and Licensing Committee (from 31/10/13)	8,675	-	-	8,675	-
Councillor Mary Jean Devon	Lead Councillor for Children and Families (from 22/5/12)	21,519	-	-	21,519	19,933
Councillor Rory Colville	Chair of Mid Argyll, Kintyre and the Islands Area Committee (from 31/10/13), Third Sector and Communities Spokesperson (from 6/12/10 to 3/5/12)	7,232	-	-	7,232	3,164
Councillor Alistair MacDougall	Chair of Oban, Lorn and the Isles Area Committee (from 31/10/13)	7,232	-	-	7,232	-
Councillor Robert E MacIntyre	Chair of Bute and Cowal Area Committee (from 22/05/12), Leader of the Opposition (from 6/12/10 to 3/5/12)	19,904	-	-	19,904	19,203
Councillor Gary Mulvaney	Chair of Helensburgh and Lomond Area Committee (from 31/10/13)	7,232	-	-	7,232	-
Councillor George Freeman	Lead Councillor for Community, Culture and Strategic Housing (from 21/3/13 to 26/9/13). Lead Councillor for Housing (from 22/5/12 to 21/3/13)	12,844	117	-	12,961	20,331
Councillor Sandy Taylor	Lead Councillor for Planning and Regulatory Services (from 22/05/12 to 26/9/13)	12,844	-	-	12,844	19,933
Councillor Louise Glen-Lee	Lead Councillor for Community, Culture, Customer and Communication (from 22/5/12 to 21/3/13), Lead Councillor for Support and Customer Services (from 21/3/13 to 26/9/13)	12,844	319	-	13,163	20,503

## The Remuneration Report

Senior Members	Responsibility	2013-14			2012-13	
		Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £	Total Remuneration £
Councillor Anne Horn	Lead Councillor for Adult Care (from 22/5/12 to 26/9/13)	12,844	-	-	12,844	19,933
Councillor Bruce Marshall	Environment Spokesperson (to 3/5/12)	-	-	-	-	3,164
Councillor Donald MacMillan	Chair - Mid Argyll, Kintyre & Islands Area Committee (to 3/5/12)	-	-	-	-	2,593
Councillor Richard Trail	Lead Councillor for Education and Lifelong Learning (from 21/03/13 to 26/9/13)	14,495	105	-	14,600	-
Councillor Michael Breslin	Lead Councillor for Education and Lifelong Learning (from 22/05/12 to 21/03/13)	-	-	-	-	19,216
Councillor Daniel Kelly	Chair - Protective Services and Licensing Committee (to 3/5/12)	-	-	-	-	3,164
Councillor William Petrie	Provost (to 3/5/12)	-	-	-	-	3,164
Councillor Andrew Nisbet	Social Services Spokesperson (from 6/12/10 to 3/5/12)	-	-	-	-	3,164
Councillor Neil MacKay	Enterprise, Energy, Culture and Tourism Spokesperson (from 6/12/10 to 3/5/12)	-	-	-	-	3,164

## The Remuneration Report

### 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 £	2013-14 Number of Officers	2012-13 Number of Officers
£50,000 - £54,999	25	18
£55,000 - £59,999	17	20
£60,000 - £64,999	4	1
£65,000 - £69,999	9	13
£70,000 - £74,999	5	1
£75,000 - £79,999	3	3
£80,000 - £84,999	2	-
£85,000 - £89,999	-	-
£90,000 - £94,999	2	3
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	-
£115,000 - £119,999	-	1
<b>Total</b>	<b>68</b>	<b>60</b>

## 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 2013-14 there were no employees earning more than £150,000.

The following table sets out the remuneration disclosures for 2013-14 for senior officers:

Post Holder	Salary (Including Fees and Allowances) £	Taxable Expenses £	Benefits other than in cash £	Total Remuneration 2013/14 £	Total Remuneration 2012-13 £
<b>Chief Executive</b> - Sally Loudon	114,303	2,048	-	<b>116,351</b>	<b>118,781</b>
<b>Executive Director of Community Services</b> - Cleland Sneddon	93,656	3,660	-	<b>97,316</b>	<b>97,047</b>
<b>Executive Director of Customer Services</b> - Douglas Hendry	93,922	644	-	<b>94,566</b>	<b>93,273</b>
<b>Executive Director of Development and Infrastructure Services</b> - Alexander MacTaggart (to 10-11-13) <i>(Full year equivalent)</i>	60,724 <i>(92,856)</i>	-	-	<b>60,724</b> <i>(92,856)</i>	<b>92,770</b> -
<b>Head of Strategic Finance (Section 95 Financial Officer)</b> - Bruce West	69,587	701	-	<b>70,288</b>	<b>69,172</b>
<b>Head of Adult Care (Section 3 Social Work Officer)</b> - James Robb	69,384	-	-	<b>69,384</b>	<b>68,728</b>
<b>Head of Improvement and HR (Direct Report to Chief Executive)</b> - Jane Fowler	69,384	-	-	<b>69,384</b>	<b>68,728</b>

The Chief Executive's salary of £118,781 in 2012-13 included £3,251 of remuneration for acting as Returning Officer during 2012-13.

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 2013-14, Alexander MacTaggart left the organisation and Pippa Milne was appointed to the role of Executive Director of Development and Infrastructure Services (effective 1 April 2014). Also during 2013-14 the Improvement and HR function was transferred to Customer Services resulting in Jane Fowler, Head of Improvement and HR no longer reporting directly to the Chief Executive (effective from 1 January 2014).

## The Remuneration Report

### 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 2013-14 remain at the 2012-13 rates and are as follows:

<b>Whole time pay</b>	<b>Contribution Rate 2013-14</b>
On earnings up to and including £18,000	<b>5.50%</b>
On earnings above £18,000 and up to £22,000	<b>7.25%</b>
On earnings above £22,000 and up to £30,000	<b>8.50%</b>
On earnings above £30,000 and up to £40,000	<b>9.50%</b>
On earnings above £40,000	<b>12.00%</b>

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 a consequence of their local government service, and not just their current appointment.

## The Remuneration Report

### SENIOR COUNCILLORS' PENSION BENEFITS

The pension entitlements for senior councillors for the year to 31 March 2014 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

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 Members	In-year pension contributions			Accrued pension benefits	
	For year to 31 March 2014 £	For year to 31 March 2013 £		As at 31 March 2014 £	Difference from 31 March 2013 £
Councillor Roddy McCuish	4,581	5,570	Pension	2,207	435
			Lump Sum	1,476	73
Councillor James Robb	4,201	4,564	Pension	2,230	406
			Lump Sum	1,491	47
Councillor Michael Breslin	3,133	3,897	Pension	720	419
			Lump Sum	-	-
Councillor John Semple	3,956	4,417	Pension	2,278	389
			Lump Sum	1,524	28
Councillor Sandy Taylor	3,956	4,010	Pension	833	517
			Lump Sum	-	-
Councillor Anne Horn	3,956	4,417	Pension	2,061	(4)
			Lump Sum	1,379	(1,107)
Councillor Donald Kelly	4,255	4,417	Pension	2,085	405
			Lump Sum	1,395	64
Councillor Mary Jean Devon	4,453	4,417	Pension	1,995	417
			Lump Sum	1,334	85
Councillor Louise Glen-Lee	3,956	4,417	Pension	837	353
			Lump Sum	-	-
Councillor David Kinniburgh	3,630	3,129	Pension	1,929	351
			Lump Sum	1,578	41
Councillor George Freeman	3,956	4,417	Pension	2,573	400
			Lump Sum	1,721	-
Councillor Ellen Morton	3,630	3,333	Pension	2,219	362
			Lump Sum	1,484	13
Councillor Rory Colville	3,352	3,333	Pension	2,096	336
			Lump Sum	1,402	8

## The Remuneration Report

Senior Members	In-year pension contributions			Accrued pension benefits	
	For year to 31 March 2014 £	For year to 31 March 2013 £		As at 31 March 2014 £	Difference from 31 March 2013 £
Councillor Robin Currie	3,777	3,333	Pension	1,914	365
			<i>Lump Sum</i>	722	14
Councillor Len Scoullar	3,729	3,333	Pension	2,352	374
			<i>Lump Sum</i>	1,573	7
Councillor Richard Trail	4,022	2,722	Pension	588	353
			<i>Lump Sum</i>	-	-
Councillor Aileen Morton	3,631	2,722	Pension	554	319
			<i>Lump Sum</i>	-	-
Councillor Gary Mulvaney	3,352	3,129	Pension	1,907	329
			<i>Lump Sum</i>	1,275	26
Councillor Vivien Dance	3,630	3,223	Pension	2,016	354
			<i>Lump Sum</i>	1,348	32
Councillor Bruce Marshall	3,133	3,333	Pension	2,185	321
			<i>Lump Sum</i>	1,461	(14)



## The Remuneration Report

### SENIOR EMPLOYEES' PENSION BENEFITS

The pension entitlements for senior employees for the year to 31 March 2014 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

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 Officers	In-year pension contributions			Accrued pension benefits	
	For year to 31 March 2014 £	For year to 31 March 2013 £		As at 31 March 2014 £	Difference from 31 March 2013 £
<b>Chief Executive - Sally Loudon</b>	22,038	22,318	Pension	33,580	(3,451)
			<i>Lump Sum</i>	72,201	684
<b>Executive Director of Community Services - Cleland Sneddon</b>	18,048	17,877	Pension	30,088	1,829
			<i>Lump Sum</i>	66,886	634
<b>Executive Director of Customer Services - Douglas Hendry</b>	18,099	17,828	Pension	37,415	382
			<i>Lump Sum</i>	89,846	(2,778)
<b>Executive Director of Development and Infrastructure Services - Alexander MacTaggart (to 10-11-13)</b>	11,701	17,877	Pension	13,556	1,030
			<i>Lump Sum</i>	19,169	117
<b>Head of Strategic Finance (Section 95 Financial Officer) - Bruce West</b>	13,401	13,200	Pension	28,601	255
			<i>Lump Sum</i>	69,217	(2,141)
<b>Head of Adult Care (Section 3 Social Work Officer) - James Robb</b>	13,363	13,236	Pension	26,276	1,392
			<i>Lump Sum</i>	61,518	582
<b>Head of Improvement and HR (Direct report to Chief Executive) - Jane Fowler</b>	13,363	13,236	Pension	21,702	1,349
			<i>Lump Sum</i>	47,797	454

## The Remuneration Report

### 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	2012/13				Exit Package Cost Band	No	2013/14			
	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	
£	£	£	£	£	£	£	£			
130	269,434	370,421	639,855	71,928	£0 - £20,000	21	49,652	123,200	172,852	33,832
8	24,338	199,709	224,047	42,167	£20,001 - £40,000	4	21,702	88,815	110,517	11,799
4	42,686	137,919	180,605	5,658	£40,001 - £60,000	5	-	253,888	253,888	22,653
3	-	214,941	214,941	47,779	£60,001 - £80,000	2	-	143,210	143,210	18,129
-	-	-	-	-	£80,001 - £100,000	3	88,982	175,428	264,410	36,743
-	-	-	-	-	£100,001 - £150,000	-	-	-	-	-
-	-	-	-	-	£150,001 - £200,000	-	-	-	-	-
<b>145</b>	<b>336,458</b>	<b>922,990</b>	<b>1,259,448</b>	<b>167,532</b>		<b>35</b>	<b>160,336</b>	<b>784,541</b>	<b>944,877</b>	<b>123,156</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 pension's 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 £0.945m 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 2014 of £0.339m, 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 93 provides more information on the exit packages agreed in the last two financial years.

A handwritten signature in black ink that reads 'Dick Walsh'.

Dick Walsh  
**Leader**

A handwritten signature in black ink that reads 'Sally Loudon'.

Sally Loudon  
**Chief Executive**

**26 September 2014**

## Statement of Movement in Reserves

	Usable Reserves (Note 31)				Unusable Reserves (Note 30)						Total Reserves £'000	
	General Fund Balance £'000	Repairs and Renewals Fund £'000	Capital Funds £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Financial Instrument Adjustment Account £'000	Accumulated Absences Account £'000	Total Unusable Reserves £'000		
												£'000
<b>Movements in 2013-14</b>												
<b>Balance at 31 March 2013</b>	<b>(46,138)</b>	<b>(850)</b>	<b>(3,316)</b>	<b>(50,304)</b>	<b>(55,061)</b>	<b>(185,215)</b>	<b>99,864</b>	<b>5,262</b>	<b>4,712</b>	<b>(130,438)</b>	<b>(180,742)</b>	
(Surplus)/Deficit on Provision of Services Other Comprehensive Income and Expenditure	(1,694)			(1,694)	(4,387)		11,998			-	(1,694)	
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,694)</b>	<b>-</b>	<b>-</b>	<b>(1,694)</b>	<b>(4,387)</b>	<b>-</b>	<b>11,998</b>	<b>-</b>	<b>-</b>	<b>7,611</b>	<b>5,917</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				-	3,335	(3,335)				-	-	
Amortisation of Intangible Assets	(106)			(106)		106				106	-	
Depreciation of Non-current Assets	(20,996)			(20,996)		20,996				20,996	-	
Impairment of Non-current Assets	(3,409)			(3,409)		3,409				3,409	-	
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	10,998			10,998		(10,998)				(10,998)	-	
Capital Expenditure Charged to the General Fund	3,910			3,910		(3,910)				(3,910)	-	
Net Gain or Loss on Sale of Non-current Assets	(26)		(454)	(480)		480				480	-	
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	373			373				(373)		(373)	-	
Employee Benefits	(106)			(106)					106	106	-	
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(6,475)			(6,475)			6,475			6,475	-	



## Statement of Movement in Reserves

	Usable Reserves (Note 31)				Unusable Reserves (Note 30)						Total Reserves £'000	
	General Fund Balance £'000	Repairs and Renewals Fund £'000	Capital Funds £'000	Total Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Financial Instrument Adjustment Account £'000	Accumulated Absences Account £'000	Total Unusable Reserves £'000		
<b>Comparative Movements in 2012-13</b>												
<b>Balance at 31 March 2012</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>	
(Surplus)/Deficit on Provision of Services	(19,795)			(19,795)							(19,795)	
Other Comprehensive Expenditure and Income					(2,027)		18,167			16,140	16,140	
<b>Total Comprehensive Expenditure and Income</b>	<b>(19,795)</b>	<b>-</b>	<b>-</b>	<b>(19,795)</b>	<b>(2,027)</b>	<b>-</b>	<b>18,167</b>	<b>-</b>	<b>-</b>	<b>16,140</b>	<b>(3,655)</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.				-	2,303	(2,303)						
Amortisation of Intangible Assets	(131)			(131)		131				131		
Depreciation and of Non-current Assets	(19,356)			(19,356)		19,356				19,356		
Impairment of Non-current Assets	(1,352)			(1,352)		1,352				1,352		
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure	11,428			11,428		(11,428)				(11,428)		
Capital Expenditure Charged to the General Fund	1,650			1,650		(1,650)				(1,650)		
Net Gain or Loss on Sale of Non-current Assets	(2,077)		(394)	(2,471)		2,471				2,471		
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	(119)			(119)					119	119		
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(2,605)			(2,605)			2,605			2,605		

## Statement of Movement in Reserves

Statutory Repayment of Debt - Loans Fund Advances	18,639								(18,639)			(18,639)	-
Statutory Repayment of Debt - Finance Leases	25								(25)			(25)	-
Statutory Repayment of Debt - NPDO Finance	1,424								(1,424)			(1,424)	-
<b>Total Statutory Adjustments</b>	<b>7,898</b>	<b>-</b>	<b>(394)</b>	<b>2,303</b>	<b>2,605</b>	<b>(372)</b>	<b>119</b>	<b>(7,504)</b>					<b>-</b>
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>(11,897)</b>	<b>-</b>	<b>(394)</b>	<b>276</b>	<b>20,772</b>	<b>(372)</b>	<b>119</b>	<b>8,636</b>	<b>(12,159)</b>	<b>(372)</b>	<b>119</b>	<b>8,636</b>	<b>(3,655)</b>
<b>Other Transfers required by Statute</b>													
Transfer to/from Other Statutory Reserves	331	(318)	170						(183)			(183)	-
<b>(Increase)/Decrease in Year</b>	<b>(11,566)</b>	<b>(318)</b>	<b>(224)</b>	<b>276</b>	<b>20,772</b>	<b>(372)</b>	<b>119</b>	<b>8,453</b>	<b>(12,342)</b>	<b>(372)</b>	<b>119</b>	<b>8,453</b>	<b>(3,655)</b>
<b>Balance at 31 March 2013 Carried Forward</b>	<b>(46,138)</b>	<b>(850)</b>	<b>(3,316)</b>	<b>(55,061)</b>	<b>99,864</b>	<b>5,262</b>	<b>4,712</b>	<b>(180,742)</b>	<b>(185,215)</b>	<b>5,262</b>	<b>4,712</b>	<b>(130,438)</b>	<b>(180,742)</b>

This Statement shows the movement in the 2012-13 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/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 Other Statutory Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## Statement of Comprehensive Income and Expenditure

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2012-13			Note	2013-14		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			<b>Service</b>			
105,237	6,767	98,470	Education Services	108,526	6,885	101,641
31,079	27,234	3,845	Housing Services (Non-HRA)	36,753	28,042	8,711
12,918	2,351	10,567	Cultural and Related Services	13,360	2,345	11,015
21,559	4,542	17,017	Environmental Services	23,222	4,221	19,001
24,913	7,018	17,895	Roads and Transport Services	24,214	6,321	17,893
7,086	4,373	2,713	Trading Services	7,552	4,477	3,075
8,251	4,054	4,197	Planning and Development Services	10,816	5,554	5,262
66,738	9,379	57,359	Social Work	70,096	10,698	59,398
			Central Services:			
4,126	103	4,023	- Corporate and Democratic Core	4,353	125	4,228
1,812	5	1,807	- Non Distributed Costs	1,850	2	1,848
3,050	1,279	1,771	- Central Services to the Public	2,912	1,300	1,612
7,308	-	7,308	Strathclyde Police Joint Board	-	-	-
4,548	-	4,548	Strathclyde Fire and Rescue Joint Board	-	-	-
<b>298,625</b>	<b>67,105</b>	<b>231,520</b>	<b>Net Cost of Services</b>	<b>303,654</b>	<b>69,970</b>	<b>233,684</b>





## Balance Sheet

31 March 2013		Note	31 March 2014	
£'000	£'000		£'000	£'000
		<b>Long Term Assets</b>		
293,846		Property Plant & Equipment 15		
8,822		- Other Land and Buildings	290,414	
163,822		- Vehicles, Plant, Furniture and Equipment	10,674	
1,466		- Infrastructure Assets	169,555	
3,510		- Community Assets	1,669	
17,400		- Surplus Assets	4,581	
		- Assets Under Construction	25,591	
	<b>488,866</b>	Property Plant & Equipment		<b>502,484</b>
	1,324	Heritage Assets 16		1,371
	203	Intangible Assets 17		351
	6,397	Investment Property 18		6,281
	3,563	Long-Term Debtors 21		4,011
	<b>500,353</b>	<b>Total Long Term Assets</b>		<b>514,498</b>
		<b>Current Assets</b>		
631		Inventories	390	
14,471		Short Term Debtors (Net of Impairment) 22	16,034	
1,708		Assets Held for Sale 23	153	
35,000		Short Term Investments	35,000	
11,868		Cash and Cash Equivalents 24	6,075	
	<b>63,678</b>	<b>Total Current Assets</b>		<b>57,652</b>
		<b>Current Liabilities</b>		
(3,739)		Short-term Borrowing 26	(11,442)	
(35,295)		Short-term Creditors 25	(32,982)	
(116)		Capital Grant Receipts in Advance	(165)	
(2,183)		Provisions 28	(2,423)	
(1,566)		Other Short Term Liabilities 27	(1,734)	
	<b>(42,899)</b>	<b>Total Current Liabilities</b>		<b>(48,746)</b>
		<b>Long-term Liabilities</b>		
(159,871)		Borrowing Repayable within a Period in Excess of 12 Months 26	(151,520)	
(80,354)		Other Long-term liabilities 27	(78,621)	
(301)		Provisions 28	(101)	
(99,864)		Other Long-term liabilities (Pensions) 29	(118,337)	
	<b>(340,390)</b>	<b>Total Long-term Liabilities</b>		<b>(348,579)</b>
	<b>180,742</b>	<b>Total Assets less Liabilities</b>		<b>174,825</b>

## Balance Sheet

31 March 2013		Note	31 March 2014	
£'000	£'000		£'000	£'000
		<b>Unusable Reserves</b>		
55,061		- Revaluation Reserve	56,113	
185,215		- Capital Adjustment Account	198,230	
(5,262)		- Financial Instruments Adjustment Account	(4,889)	
(99,864)		- Pensions Reserve	(118,337)	
(4,712)		- Accumulated Absences Account	(4,818)	
	<b>130,438</b>			<b>126,299</b>
		<b>Usable Reserves</b>		
3,316		- Capital Funds	3,460	
850		- Repairs and Renewals Funds	1,025	
46,138		- General Fund Balance	44,041	
	<b>50,304</b>			<b>48,526</b>
	<b>180,742</b>	<b>Total Reserves</b>		<b>174,825</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 26 June 2014 and the audited financial statements were authorised for issue on 26 September 2014.



Bruce West  
Head of Strategic Finance  
26 September 2014

## 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 of 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.

2012-13 £'000		Note	2013-14 £'000
<b>(19,795)</b>	<b>Net (Surplus) or Deficit on the Provision of Services</b>		<b>(1,694)</b>
(16,551)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(12,655)
9,155	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		9,014
<b>(27,191)</b>	<b>Net Cash Flows from Operating Activities</b>	36	<b>(5,335)</b>
29,473	Investing Activities	37	10,133
1,337	Financing Activities	38	995
<b>3,619</b>	<b>Net Increase or Decrease in Cash and Cash Equivalents</b>		<b>5,793</b>
(15,487)	Cash and Cash Equivalents at the beginning of the Reporting Period		(11,868)
<b>(11,868)</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	24	<b>(6,075)</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 2013-14 financial year and its position at the year-end of 31 March 2014. 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 requires 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 2013-14 and the Service Reporting Code of Practice for Local Authorities 2013-14 (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, i.e. 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 4.3% (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

Adoption of the 2011 amendments to IAS 19 Employee Benefits and IAS 1 Presentation of Financial Statements are effective for accounting years starting on or after 1 January 2013 and, in accordance with IAS 8 Changes in Accounting Policies, these changes will be retrospectively applied for the prior accounting period where material. Any prior year impact is reported in Note 29 to the accounts. New classes of components for defined benefit costs and new recognition criteria for service costs are recognised in the financial statements.

- The change in the net pension's liability is analysed into the following 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, charged to the Non Distributed Costs in the Comprehensive Income and Expenditure Statement.

## Notes to the Financial Statements

- Net interest on the net defined benefit liability (asset), i.e. net interest expenses for the Council – The change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising
  - The return on plan assets – Excluding amounts included in the net interest on the net defined benefit liability (asset), charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
  - 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, charged 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 of Accounts is not adjusted to reflect such events, but where a category of events would have a material impact 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.



## Notes to the Financial Statements

### 1.8 Exceptional Items

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

### 1.9 Financial Liabilities

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

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

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

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

### 1.10 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attached 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.

## Notes to the Financial Statements

Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

### 1.11 Heritage Assets

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

#### The Art Collections

The collections cover 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 a “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 outwith 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).

## Notes to the Financial Statements

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### 1.12 Intangible Assets

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

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

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

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

### 1.13 Interests in Companies and Other Entities

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

### 1.14 Inventories

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

### 1.15 Investment Properties

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

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

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

## Notes to the Financial Statements

### 1.16 Leases

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

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

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

#### 1.16.1 The Council as Lessee

##### a) Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases are 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:

## Notes to the Financial Statements

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

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

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

### b) Operating Leases

Where the Authority grants an operating lease over a property or an item of plant and equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant Service lines in the Comprehensive Income and Expenditure Statement, with the exception of rental income from Investment Property which is credited to Interest and Investment Income. 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 2013-14 – 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.

## Notes to the Financial Statements

- The sale should be expected to qualify for recognition as a completed sale within one year (although events or circumstances may extend the period to complete the sale beyond one year).

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

### 1.19 Property, Plant and Equipment

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

#### 1.19.1 Recognition

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

#### 1.19.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

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

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

### 1.19.3 Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement

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

### 1.19.4 Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an *Asset Held for Sale*. The asset is re-valued 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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous 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.

## Notes to the Financial Statements

### 1.19.5 Depreciation

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

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

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

### 1.20 Private Finance Initiative (PFI) and Similar Contracts

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

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

Fixed assets recognised on the Balance Sheet are re-valued 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 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.



## Notes to the Financial Statements

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

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

### 1.21.2 Contingent Liabilities

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

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

### 1.21.3 Contingent Assets

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

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

## 1.22 Reserves

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

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

For 2013-14, the material accounting policy changes that need to be reported relate to group accounts and are covered by revisions to three standards namely IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities. The 2014-15 Code requires implementation of the changes of accounting policy from 1 April 2014. There is no impact of these changes on the accounts covering the 2013-14 financial year.

Broadly, these changes amend the definition of control for accounting purposes in group accounts. These revisions impact upon the current accounting treatment of the Council's interest in other entities. The Council is currently considering the entities within its group and at this stage does not expect material change.

There are revisions to four other standards, none of which are considered to make any material change to the Council's current financial reporting, namely, IAS 27 – Separate Financial Statements,

## Notes to the Financial Statements

IAS 28 – Investments in Associates and Joint Ventures, IAS 32 – Financial Instruments: Presentation and IAS1 – Presentation of Financial Statements.

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

**Holiday Pay Accrual:** Unused holiday entitlement earned at 31 March 2014 but not taken at that date has been quantified on the basis of a 5% sample of all non-term time Council employees. The calculation in respect of unused holidays for term time staff in schools is based on actual leave entitlement as at 31 March and no estimation is required for these staff. The liability shown in the 2013-14 financial statements in respect of the holiday pay accrual is £4.818m.

### 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 2014 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 £1.4m 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="895 595 1062 1016">Sensitivities at 31 March 2014</th> <th data-bbox="895 333 1062 595">Approximate % Increase to Employer Obligation</th> <th data-bbox="895 103 1062 333">Approximate monetary amount £'000</th> </tr> </thead> <tbody> <tr> <td data-bbox="1062 595 1150 1016">0.5% decrease in real discount rate</td> <td data-bbox="1062 333 1150 595">12%</td> <td data-bbox="1062 103 1150 333">69,018</td> </tr> <tr> <td data-bbox="1150 595 1238 1016">1 year increase in member life expectancy</td> <td data-bbox="1150 333 1238 595">3%</td> <td data-bbox="1150 103 1238 333">17,127</td> </tr> <tr> <td data-bbox="1238 595 1326 1016">0.5% increase in salary increase rate</td> <td data-bbox="1238 333 1326 595">5%</td> <td data-bbox="1238 103 1326 333">29,449</td> </tr> <tr> <td data-bbox="1326 595 1406 1016">0.5% increase in pension increase rate</td> <td data-bbox="1326 333 1406 595">8%</td> <td data-bbox="1326 103 1406 333">49,031</td> </tr> </tbody> </table>	Sensitivities at 31 March 2014	Approximate % Increase to Employer Obligation	Approximate monetary amount £'000	0.5% decrease in real discount rate	12%	69,018	1 year increase in member life expectancy	3%	17,127	0.5% increase in salary increase rate	5%	29,449	0.5% increase in pension increase rate	8%	49,031
Sensitivities at 31 March 2014	Approximate % Increase to Employer Obligation	Approximate monetary amount £'000															
0.5% decrease in real discount rate	12%	69,018															
1 year increase in member life expectancy	3%	17,127															
0.5% increase in salary increase rate	5%	29,449															
0.5% increase in pension increase rate	8%	49,031															

## Notes to the Financial Statements



Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2014, the Council had a balance of sundry debtors of £2.844m. A review of significant balances suggested an allowance of 24.3% (£0.692m) 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 by 10% would increase the bad debt provision required by £0.283m.

## Notes to the Financial Statements

### 5. TRANSFERS TO/FROM EARMARKED RESERVES

The Council has ring-fenced £30.372m of the balance on the General Fund as follows:

Ring-fenced Balances	Balance 1 April 2013 £'000	Funds Used £'000	Contributions to Funds £'000	Balance 31 March 2014 £'000
Revenue from Additional Council Tax on Second Homes (Strategic Housing Fund)	10,183	(4,760)	2,061	7,484
Unspent Grants	1,473	(1,144)	650	979
Contributions Carried Forward	268	(69)	56	255
Unspent Budget Carried Forward	8,171	(2,504)	1,631	7,298
School Budget Carry Forwards	946	(630)	571	887
Unspent Budget Required for Existing Legal Commitments	230	(34)	-	196
CHORD	657	(237)	-	420
Revenue Contribution to Capital (Dunoon and Campbeltown Schools)	3,000	-	-	3,000
Investment in Affordable Housing	9,500	-	-	9,500
Severance Costs	236	(209)	-	27
Reserve Committed for 2013-14 Budget	1,054	(1,054)	-	0
Reserve Committed for 2014-15 Budget	326	-	-	326
<b>Total Ring-fenced</b>	<b>36,044</b>	<b>(10,641)</b>	<b>4,969</b>	<b>30,372</b>
Unallocated	10,094		3,575	13,669
<b>Total General Fund Balance</b>	<b>46,138</b>	<b>(10,641)</b>	<b>8,544</b>	<b>44,041</b>

The unallocated balance of £13.669m is 5.6% of the Council's budgeted net expenditure for 2014-15.

**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 Service Reporting 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 2014**

The income and expenditure of the Council's principal departments recorded in the budget reports for the 2013-14 year is as follows:

Departmental Income and Expenditure 2013-14	Community Services £'000	Development and Infrastructure Services £'000	Customer Services £'000	Chief Executive's Unit £'000	Total £'000
Fees, Charges and Other Service Income	(18,209)	(38,752)	(42,649)	(178)	(99,788)
Government Grants	(2,227)	-	(789)	-	(3,016)
<b>Total Income</b>	<b>(20,436)</b>	<b>(38,752)</b>	<b>(43,438)</b>	<b>(178)</b>	<b>(102,804)</b>
Employee Expenses	85,113	22,116	16,775	3,834	127,838
Other Operating Expenses	73,687	52,698	59,566	511	186,462
<b>Total Operating Expenses</b>	<b>158,800</b>	<b>74,814</b>	<b>76,341</b>	<b>4,345</b>	<b>314,300</b>
<b>Net Cost of Services</b>	<b>138,364</b>	<b>36,062</b>	<b>32,903</b>	<b>4,167</b>	<b>211,496</b>

Departmental Income and Expenditure 2012-13 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	(16,156)	(38,770)	(19,438)	(186)	(74,550)	
Government Grants	(2,317)	(62)	(24,310)	-	(26,689)	
<b>Total Income</b>	<b>(18,473)</b>	<b>(38,832)</b>	<b>(43,748)</b>	<b>(186)</b>	<b>(101,239)</b>	
Employee Expenses	83,892	21,936	14,961	5,530	126,319	
Other Operating Expenses	67,620	48,514	59,147	700	175,981	
<b>Total Operating Expenses</b>	<b>151,512</b>	<b>70,450</b>	<b>74,108</b>	<b>6,230</b>	<b>302,300</b>	
<b>Net Cost of Services</b>	<b>133,039</b>	<b>31,618</b>	<b>30,360</b>	<b>6,044</b>	<b>201,061</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.

	2013-14 £'000	2012-13 £'000
<b>Cost of Services in Service Analysis</b>	<b>211,496</b>	<b>201,061</b>
Add Services not included in Main Analysis	4,358	16,297
Add Amounts not Reported to Management	18,691	14,899
Remove Amounts Reported to Management not Included in Comprehensive Income and Expenditure Statement	(861)	(772)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>233,684</b>	<b>231,485</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.

2013-14	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	(99,788)	(146)	-	612	(99,322)	(577)	(99,899)
Surplus or Deficit on Associated and Joint Ventures	-	-	-	-	-	-	-
Interest and Investment Income	-	-	-	-	-	(634)	(634)
Income from Council Tax	-	-	-	-	-	(42,066)	(42,066)
Government Grants and Contributions	(3,016)	-	-	-	(3,016)	(216,393)	(219,409)
<b>Total Income</b>	<b>(102,804)</b>	<b>(146)</b>	<b>-</b>	<b>612</b>	<b>(102,338)</b>	<b>(259,670)</b>	<b>(362,008)</b>
Employee Expenses	127,838	1,964	4,321	(320)	133,803	350	134,153
Other Service Expenses	186,462	1,334	3,564	(12)	191,348	131	191,479
Depreciation, Amortisation and Impairment	-	-	10,806	-	10,806	-	10,806
Interest Payments, Net Pension Interest Expense	-	-	-	-	-	22,644	22,644
Precepts, Levies and Requisitions	-	1,206	-	(1,141)	65	1,141	1,206
Gain or Loss on Disposal of Assets	-	-	-	-	-	26	26
<b>Total Operating Expenses</b>	<b>314,300</b>	<b>4,504</b>	<b>18,691</b>	<b>(1,473)</b>	<b>336,022</b>	<b>24,292</b>	<b>360,314</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>211,496</b>	<b>4,358</b>	<b>18,691</b>	<b>(861)</b>	<b>233,684</b>	<b>(235,378)</b>	<b>(1,694)</b>



## Notes to the Financial Statements

2012-13 Comparative Figures	Service Analysis £'000	Services not in Analysis £'000	Not Reported to Management £'000	Not Included in I&E £'000	Total Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service Income	(74,550)	(375)	-	538	(74,387)	(354)	(74,741)
Surplus or Deficit on Associated and Joint Ventures	-	-	-	-	-	(57)	(57)
Interest and Investment Income	-	-	-	-	-	(1,037)	(1,037)
Income from Council Tax	-	-	-	-	-	(47,376)	(47,376)
Government Grants and Contributions	(26,689)	-	-	-	(26,689)	(226,801)	(253,490)
<b>Total Income</b>	<b>(101,239)</b>	<b>(375)</b>	<b>-</b>	<b>538</b>	<b>(101,076)</b>	<b>(275,625)</b>	<b>(376,701)</b>
Employee Expenses	126,319	1,785	1,293	-	129,397	-	129,397
Other Service Expenses	175,981	1,656	3,781	(2)	181,416	-	181,416
Depreciation, Amortisation and Impairment	-	-	9,825	-	9,825	-	9,825
Interest Payments, Net Pension Interest Expense	-	-	-	-	-	20,925	20,925
Precepts, Levies and Requisitions	-	13,231	-	(1,308)	11,923	1,308	13,231
Gain or Loss on Disposal of Assets	-	-	-	-	-	2,077	2,077
<b>Total Operating Expenses</b>	<b>302,300</b>	<b>16,672</b>	<b>14,899</b>	<b>(1,310)</b>	<b>332,561</b>	<b>24,310</b>	<b>356,871</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>201,061</b>	<b>16,297</b>	<b>14,899</b>	<b>(772)</b>	<b>231,485</b>	<b>(251,315)</b>	<b>(19,830)</b>

## Notes to the Financial Statements

### 7. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.048m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure consists mainly of the requisition paid to Dunbartonshire and Argyll & Bute Joint Valuation Board of £1.141m offset by £0.130m of backdated VAT income received as a result of claims being made under the "Fleming" case law principle.

### 8. SIGNIFICANT TRADING ORGANISATIONS

Trading units are units within a service 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. During 2013-14 a review of the Roads and Lighting Trading Account and the Catering and Cleaning Trading Account was performed to consider whether they met the definition of a trading operation, it was decided in view of their limited trading with external organisations and the general public that both trading accounts should cease from the 1<sup>st</sup> April 2013 and their operations be included within the appropriate service expenditure head.

### 9. AGENCY INCOME

The Council have an on-going agency agreement with Scottish Water to collect domestic water and sewerage charges. During 2013-14 income from this agreement amounted to £0.265m.

Agency Income	2013-14 Actual £'000	2012-13 Actual £'000
Scottish Water	265	244
<b>Total</b>	<b>265</b>	<b>244</b>

The Council also acts as agent for the Scottish Government in the collection of non-domestic rate income. Further information on the collection of non-domestic rate income can be found on pages 99 to 100.

### 10. COMMUNITY CARE AND HEALTH (SCOTLAND) ACT 2002

During 2013-14, 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 CHP 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 2013-14 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.

## Notes to the Financial Statements

During 2013-14 income received by the Council from this source amounted to £5.696m and the related expenditure was £7.429m. This can be analysed as follows:

Purpose of Services	Income £'000	Expenditure £'000
Care of the Elderly	2,455	3,478
Provision of Services for People with Learning Disabilities	2,146	2,805
Provision of Services for People with Mental Health Needs	1,095	1,146
<b>Total</b>	<b>5,696</b>	<b>7,429</b>

### 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 £5.283m (2012-13 £5.176m) which represents the value of the service provided from 1 April 2013 to 31 March 2014. Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2014 - 2015	5,432
2015 - 2020	29,133
2020 - 2025	32,460
2025 - 2027	9,444
<b>Total</b>	<b>76,469</b>

This equates to £5.328m per annum over the life of the contract.

### 12. FEES PAYABLE TO AUDIT SCOTLAND

In 2013-14 the following fees relating to external audit and inspection were incurred:

Auditor's Remuneration	2013-14 £'000	2012-13 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed Auditor	277	253
<b>Total Remuneration</b>	<b>277</b>	<b>253</b>

The fee for 2013-14 includes £9,900 for the audit of the Council's charitable trusts.

## Notes to the Financial Statements

### 13. GRANT INCOME

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2013-14:

Grant Income	2013-14 £'000	2012-13 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	176,904	188,864
Non Domestic Rates	28,492	26,479
Specific Capital Grant	77	97
General Capital Grant	8,532	8,746
European Regional Development Fund (ERDF)	1,592	1,049
SUSTRANS	171	161
Sport Scotland	-	316
Other Grants	545	248
Other Government Capital Grants	80	841
<b>Total</b>	<b>216,393</b>	<b>226,801</b>
<b>Credited to Services</b>		
Scottish Government Specific Grants	472	375
General Capital Grant - Private Sector Housing Improvement Grants	1,362	1,074
Housing Benefit Subsidy	23,424	23,355
Council Tax Benefit Subsidy	-	5,913
Other Revenue Government Grants	1,713	1,800
<b>Total</b>	<b>26,971</b>	<b>32,517</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 by 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 and Senior Officers have 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 2013-14 is shown in the Remuneration Report on page 18.

During the year there were two companies 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
Bute Conservation Trust	69
MacDougall's Garage	33

### 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	1,034
<i>Of these, transactions with the following exceeded £10,000:</i>	
Argyll, the Isles, Loch Lomond, Stirling and the Trossachs Tourist Board	109
Scotland Excel	66
Convention of Scottish Local Authorities (COSLA)	61
Cowal Council on Alcohol and Drugs	49
Helensburgh Addiction Rehabilitation Team	77
Islay and Jura Community Enterprise	25
Kintyre Alcohol and Drugs Advisory Service	32
Argyll and Bute Citizens Advice Bureaux	61
Mid Argyll Community Enterprise	61
Oban Addiction Support and Information Services (OASIS)	44
Oban and Lorn Community Enterprise - Atlantis Leisure	441
<b>Total</b>	<b>1,026</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 2013-14	Other Land & Buildings & Equipment £'000	Vehicles Plant & Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2013-14 £'000
<b>Cost or Valuation</b>							
<b>At 1 April 2013</b>	<b>314,281</b>	<b>22,191</b>	<b>214,710</b>	<b>1,468</b>	<b>3,656</b>	<b>17,400</b>	<b>573,706</b>
Additions	7,803	4,165	9,882	203	-	10,331	32,384
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,334)	-	-	-	224	-	(4,110)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,459)	-	-	-	(224)	-	(5,683)
Derecognition - Disposals	(527)	(728)	-	-	(75)	-	(1,330)
Derecognition - Other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(110)	-	-	-	1,175	-	1,065
Other movements in cost or valuation	497	762	881	-	-	(2,140)	-
<b>At 31 March 2014</b>	<b>312,151</b>	<b>26,390</b>	<b>225,473</b>	<b>1,671</b>	<b>4,756</b>	<b>25,591</b>	<b>596,032</b>
<b>Depreciation and Impairments</b>							
<b>At 1 April 2013</b>	<b>(20,435)</b>	<b>(13,369)</b>	<b>(50,888)</b>	<b>(2)</b>	<b>(146)</b>	<b>-</b>	<b>(84,840)</b>
Depreciation Charge for 2013-14	(12,801)	(3,071)	(5,030)	-	(94)	-	(20,996)
Depreciation written out to the Revaluation Reserve	8,529	-	-	-	12	-	8,541
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	2,802	-	-	-	25	-	2,827
Derecognition - Disposals	150	724	-	-	-	-	874
Other movements in depreciation and impairment	18	-	-	-	28	-	46
<b>At 31 March 2014</b>	<b>(21,737)</b>	<b>(15,716)</b>	<b>(55,918)</b>	<b>(2)</b>	<b>(175)</b>	<b>-</b>	<b>(93,548)</b>
<b>Balance Sheet amount at 1 April 2014</b>	<b>290,414</b>	<b>10,674</b>	<b>169,555</b>	<b>1,669</b>	<b>4,581</b>	<b>25,591</b>	<b>502,484</b>
<b>Balance Sheet amount at 1 April 2013</b>	<b>293,846</b>	<b>8,822</b>	<b>163,822</b>	<b>1,466</b>	<b>3,510</b>	<b>17,400</b>	<b>488,866</b>

## Notes to the Financial Statements

Comparative Movements in 2012-13	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2012-13 £'000
<b>Cost or Valuation</b>							
<b>At 1 April 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>
Additions	6,989	4,872	8,889	128	(2)	14,262	35,138
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(11,871)	-	-	-	148	-	(11,723)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,004)	-	-	-	(918)	-	(2,922)
Derecognition - Disposals	(1,229)	(2,621)	-	-	(1,068)	-	(4,918)
Derecognition - Other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(110)	-	-	-	(60)	-	(170)
Other movements in cost or valuation	2,609	-	5,926	-	50	(8,585)	-
<b>At 31 March 2013</b>	<b>314,281</b>	<b>22,191</b>	<b>214,710</b>	<b>1,468</b>	<b>3,656</b>	<b>17,400</b>	<b>573,706</b>
<b>Depreciation and Impairments</b>							
<b>At 1 April 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>
Depreciation Charge for 2012-13	(11,627)	(2,821)	(4,754)	-	(154)	-	(19,356)
Depreciation written out to the Revaluation Reserve	13,690	-	-	-	60	-	13,750
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	579	-	-	-	241	-	820
Derecognition - Disposals	335	2,608	-	-	60	-	3,003
Other movements in depreciation and impairment	22	-	-	-	36	-	58
<b>At 31 March 2013</b>	<b>(20,435)</b>	<b>(13,369)</b>	<b>(50,888)</b>	<b>(2)</b>	<b>(146)</b>	<b>-</b>	<b>(84,840)</b>
<b>Balance Sheet amount at 1 April 2013</b>	<b>293,846</b>	<b>8,822</b>	<b>163,822</b>	<b>1,466</b>	<b>3,510</b>	<b>17,400</b>	<b>488,866</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>

## 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 2014 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:

Valued at Fair Value as at:	Other Land & Buildings £'000	Corporate Surplus Assets £'000
31 March 2014	57,874	2,865
31 March 2013	133,914	364
31 March 2012	16,893	441
31 March 2011	32,481	215
31 March 2010	49,252	696
<b>Total Cost or Valuation</b>	<b>290,414</b>	<b>4,581</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 2013-14 total spending on capital projects was £32.685m.

	2013-14 £'000	2012-13 £'000
<b>Opening Capital Financing Requirement</b>	<b>258,398</b>	<b>256,617</b>
<b>Capital Investment:</b>		
Property Plant and Equipment:		
Other Land and Buildings	7,803	6,989
Vehicles, Plant, Furniture and Equipment	4,165	4,872
Infrastructure Assets	9,882	8,889
Community Assets	203	128
Surplus Assets	-	(2)
Assets Under construction	10,331	14,262
Heritage Assets	47	-
Intangible Assets	254	2
<b>Total Capital Investment</b>	<b>32,685</b>	<b>35,140</b>
<b>Sources of Finance:</b>		
Capital Receipts	(454)	(394)
Government Grants	(10,998)	(11,428)
Capital Financed from Current Revenue	(3,910)	(1,650)
Repayment of External Loans	(17,875)	(18,679)
Capital Element of Finance Lease Payments	(19)	(25)
Capital Element of Schools NPDO Payments	(1,547)	(1,424)
Capital Receipts transferred to Capital Fund	454	394
Capital Receipts Used from Capital Fund	(310)	(94)
Other	39	(59)
<b>Total Funding</b>	<b>(34,620)</b>	<b>(33,359)</b>
<b>Closing Capital Financing Requirement</b>	<b>256,463</b>	<b>258,398</b>

## Notes to the Financial Statements

### 15.5 Commitments under Capital Contracts

At 31 March 2014, the Council had commitments on capital contracts of £12.588m. 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 2013 were £7.162m. The major commitments are:

	£'000
Helensburgh Office Project	6,344
Campbeltown Old Quay	1,700
School Building Improvements (Various Locations)	1,084
Kilmory - Biomass	807
A83 South of Musdale (Contribution to Road Widening)	450
Vehicle Purchases	387
Roads Reconstruction (Various Locations)	291
Kintyre Renewal Hub - New Quay Fenders	207
Soroba Lane Bridge	182

### 16. HERITAGE ASSETS

Financial Reporting Standard (FRS) 30 – *Heritage Assets* was adopted in 2011-12 as part of the 2011-12 Code of Practice.

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 45.

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

Movements in 2013-14	Art Collections	Heritage Property	Total
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
<b>Net Book Value at 1 April 2013</b>	<b>1,148</b>	<b>176</b>	<b>1,324</b>
Additions	-	47	47
Disposals	-	-	-
Revaluations	-	-	-
Depreciation	-	-	-
<b>At 31 March 2014</b>	<b>1,148</b>	<b>223</b>	<b>1,371</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 2013-14	Purchased Software Licences 2013-14 £'000
<b>Cost or Valuation</b>	
<b>At 1 April 2013</b>	<b>813</b>
Additions	254
Disposals	-
Reclassifications	-
<b>At 31 March 2014</b>	<b>1,067</b>
<b>Depreciation and Impairments</b>	
<b>At 1 April 2013</b>	<b>(610)</b>
Charge for 2013-14	(106)
Disposals	-
<b>At 31 March 2014</b>	<b>(716)</b>
<b>Balance Sheet amount at 1 April 2014</b>	<b>351</b>
<b>Balance Sheet amount at 1 April 2013</b>	<b>203</b>

Comparative Movements in 2012-13	Purchased Software Licences 2012-13 £'000
<b>Cost or Valuation</b>	
<b>At 1 April 2012</b>	<b>811</b>
Additions	2
Disposals	-
Reclassifications	-
<b>At 31 March 2013</b>	<b>813</b>
<b>Depreciation and Impairments</b>	
<b>At 1 April 2012</b>	<b>(479)</b>
Charge for 2012-13	(131)
Disposals	-
<b>At 31 March 2013</b>	<b>(610)</b>
<b>Balance Sheet amount at 1 April 2013</b>	<b>203</b>
<b>Balance Sheet amount at 1 April 2012</b>	<b>332</b>

## Notes to the Financial Statements

### 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 2014. Revaluations of investment properties were carried out at 31 March 2014 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 2013-14 was:

Movements in 2013-14	Investment Properties £'000
<b>Cost or Valuation</b>	
<b>At 1 April 2013</b>	<b>6,397</b>
Acquisitions	-
Disposals	-
Net Gains/Losses from fair value adjustments	(116)
Transfers	-
<b>At 31 March 2014</b>	<b>6,281</b>

Comparative Movements in 2012-13	Investment Properties £'000
<b>Cost or Valuation</b>	
<b>At 1 April 2012</b>	<b>5,647</b>
Acquisitions	-
Disposals	-
Net Gains/Losses from fair value adjustments	750
Transfers	-
<b>At 31 March 2013</b>	<b>6,397</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:

	2013-14 £'000	2012-13 £'000
Rental Income from Investment Property	98	95
Direct operating expenses arising from investment property	-	-
<b>Net gain/(loss)</b>	<b>98</b>	<b>95</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 2013 and depreciation to date are included as part of Other Land and Buildings as follows:

Movements in 2013-14	Land & Buildings £'000
<b>Cost or Valuation</b>	
<b>At 1 April 2013</b>	<b>93,179</b>
Additions	-
Revaluations	-
<b>At 31 March 2014</b>	<b>93,179</b>
<b>Depreciation and Impairments</b>	
<b>At 1 April 2013</b>	<b>(5)</b>
Charge for 2013-14	(1,700)
Revaluations	-
<b>At 31 March 2014</b>	<b>(1,705)</b>
<b>Balance Sheet amount at 1 April 2014</b>	<b>91,474</b>
<b>Balance Sheet amount at 1 April 2013</b>	<b>93,174</b>

#### 19.2 Schools NPDO Finance Lease Liability

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

Movements in 2013-14	£'000
<b>Balance at 1 April 2013</b>	<b>(81,152)</b>
Repayments	1,547
<b>Schools NPDO Finance Lease Liability at 31 March 2014</b>	<b>(79,605)</b>
Split:	
Obligations payable within 1 year	(1,734)
Obligations payable after 1 year	(77,871)
<b>Schools NPDO Finance Lease Liability at 31 March 2014</b>	<b>(79,605)</b>

## Notes to the Financial Statements

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

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

Future Repayment Periods	Repayment of Liability £'000	Lifecycle Costs £'000	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2014 - 2015	1,734	-	8,068	4,209	14,011
2015 - 2020	10,205	-	37,648	24,457	72,310
2020 - 2025	14,888	945	31,994	28,600	76,427
2025 - 2030	22,156	2,891	23,246	32,793	81,086
2030 - 2035	30,622	3,181	9,891	33,799	77,493
<b>Total</b>	<b>79,605</b>	<b>7,017</b>	<b>110,847</b>	<b>123,858</b>	<b>321,327</b>

## 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 £0.018m.

	2013-14 £'000	2012-13 £'000
Vehicles	18	39
<b>Total</b>	<b>18</b>	<b>39</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 2013-14 were as follows:

	2013-14 £'000	2012-13 £'000
Land and Buildings	278	278
Vehicles	245	559
Plant and Equipment	164	53
<b>Total</b>	<b>687</b>	<b>890</b>

## Notes to the Financial Statements

### 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 2013-14	Vehicles, Plant and Equipment £'000
Value at 1 April 2013	18
Additions	-
Depreciation	(18)
<b>Value at 31 March 2014</b>	<b>-</b>

There are no outstanding obligations to make payments under these finance leases (excluding finance costs) as at 31 March 2014.

### 20.4 Assets Held Under Operating Leases

The Council was committed at 31 March 2014 to making payments of £0.588m under operating leases comprising the following elements:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
Leases expiring within 1 year	16	143
Leases expiring between 1 and 5 years	42	201
Leases expiring after 5 years	162	24
<b>Value at 31 March 2014</b>	<b>220</b>	<b>368</b>

## Notes to the Financial Statements

## 21. LONG TERM DEBTORS

	31st March 2014 £'000	31st March 2013 £'000
House Loans	66	76
Waste PPP Historic Contamination Fund	750	750
Charging Orders - Care Home Fees	934	824
Strategic Housing Fund Loans to Registered Social Landlords	2,161	1,813
Other Long Term Debtors	100	100
<b>Total Long Term Debtors</b>	<b>4,011</b>	<b>3,563</b>

## 22. DEBTORS

		31 March 2014		31 March 2013	
		£'000	£'000	£'000	£'000
Arrears of Local Taxation	Council Tax	12,510		12,091	
	Less: Provision for Bad Debts	(10,439)		(10,007)	
			2,071		2,084
	Community Charge	7,550		7,550	
	Less: Provision for Bad Debts	(7,550)		(7,550)	
			-		-
Housing Benefits Overpayments		929		823	
	Less: Provision for Bad Debts	(703)		(589)	
			226		234
Debtor Accounts		2,844		2,925	
	Less: Provision for Bad Debts	(692)		(791)	
			2,152		2,134
VAT Recoverable from HMRC			3,742		1,610
Strategic Housing Fund Loans due within 1 Year			1,847		-
Other Debtors			5,996		8,409
<b>Total Debtors</b>			<b>16,034</b>		<b>14,471</b>



## Notes to the Financial Statements

### 23. ASSETS HELD FOR SALE

The movement in assets held for sale during 2013-14 was:

Movements in 2013-14	2013-14 £'000	2012-13 £'000
<b>Balance outstanding at start of year</b>	<b>1,708</b>	<b>2,153</b>
Assets newly classified as held for sale (Property, Plant and Equipment)	553	177
Revaluation losses	(480)	-
Revaluation gains	-	-
Impairment losses	-	-
Assets declassified as held for sale (Property, Plant and Equipment)	(1,604)	(65)
Assets Sold	(24)	(557)
<b>Balance outstanding at year-end</b>	<b>153</b>	<b>1,708</b>

### 24. CASH AND CASH EQUIVALENTS

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

	31 March 2014 £'000	31 March 2013 £'000
Cash held by the Authority	62	62
Cash in transit	80	2,813
Short term deposits with banks	9,350	14,032
Bank Current Accounts (Overdraft)	(3,417)	(5,039)
<b>Total Cash and Cash Equivalents</b>	<b>6,075</b>	<b>11,868</b>

### 25. CREDITORS

	31 March 2014 £'000	31 March 2013 £'000
Accrued Payrolls and Superannuation	6,122	5,418
Accrued Employer's National Insurance Contributions and PAYE	2,296	2,264
Accrual for Short Term Accumulating Absences	4,818	4,712
Creditors System Liability	7,037	6,121
Accrued Expenditure	4,908	5,899
Other Creditors	7,801	10,881
<b>Total Creditors</b>	<b>32,982</b>	<b>35,295</b>

## Notes to the Financial Statements

### 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 2014		31 March 2013	
	Long Term £'000	Current £'000	Long Term £'000	Current £'000
<b>Investments and Lending</b>				
Loans and Receivables	4,011	57,109	3,563	61,339
<b>Borrowing</b>				
Financial Liabilities at amortised cost	230,141	46,158	240,225	40,600

#### 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 2014 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 2014		31 March 2013	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Lending</b>				
Loans and Receivables	61,120	61,227	64,902	64,981
<b>Borrowing</b>				
Financial Liabilities	276,299	302,512	280,825	319,323

The fair value is greater than the carrying amount 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 the current market rates increases the amount the Council would receive if it agreed the early repayment of loans.

The fair value is greater than the carrying amount because the Council's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at

## Notes to the Financial Statements

the balance sheet date. The commitment to pay interest above the current market rates increases the amount the Council would have to pay 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 whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

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

	Amount at 31 March 2014 £'000	Historical Experience of Non-payment adjusted for Market Conditions at 31 March 2014 %	Estimated Maximum Exposure to Default and Uncollectibility £'000
Deposits with Banks	9,350	-	-

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.

## Notes to the Financial Statements

The maturity analysis of financial liabilities is as follows:

Maturity analysis of financial liabilities	31 March 2014 £'000	31 March 2013 £'000
Less than one year	46,158	40,600
Between one and two years	12,337	9,901
Between two and five years	29,183	38,485
More than five years	188,621	191,839
	<b>276,299</b>	<b>280,825</b>

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

### 26.7 Market Risk

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

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

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

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

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

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

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

## Notes to the Financial Statements

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 2014, with all other variables held constant:

	31 March 2014 £'000
<b>Impact on tax-payer</b>	
Increase on interest payable on variable rate borrowings	13
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>13</b>

	31 March 2014 £'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)	20,750

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

### 26.8 Price Risk

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

### 26.9 Foreign Exchange Risk

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

### 26.10 Short-Term Deposits

The short-term 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 2014 £'000	31 March 2013 £'000
Banks	9,350	14,032

### 26.11 Short-Term Borrowing

The Common Good and the various Trust Funds administered by the Council had monies temporarily invested with the Council's loans fund during the year. The amounts at 31 March 2014 are shown in the table below. Further details of the nature and amounts of the funds of the Common Good and Trust Funds are shown in notes 34 and 35 on pages 93 to 94.

	31 March 2014 £'000	31 March 2013 £'000
Common Good	100	100
Trust Funds	1,264	1,246

## 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 £80.355m as at 31 March 2014 and comprise the following:

Movements in 2013-14	Opening Balance 31 March 2013 £'000	Movement in Year £'000	Closing Balance 31 March 2014 £'000
Finance Lease Liability (See note 20.3)	(18)	18	-
Schools NPDO Finance Lease Liability (See note 19.2)	(81,152)	1,547	(79,605)
Land Contamination	(750)	-	(750)
<b>Total Other Liabilities</b>	<b>(81,920)</b>	<b>1,565</b>	<b>(80,355)</b>
Split:			
Short Term Liabilities (due within 1 year)			(1,734)
Long Term Liabilities (due after 1 year)			(78,621)
<b>Total Other Liabilities</b>			<b>(80,355)</b>

### 28. PROVISIONS

	Opening Balance 31 March 2013 £'000	Additional Provision £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Closing Balance at 31 March 2014 £'000
SRC Insurance Claims	(181)		12	148	(21)
Equal Pay Claims	(32)	(400)		32	(400)
Income due to Registered Social Landlords	(60)	(20)			(80)
Reorganisation Redundancy Costs	(909)	(49)	620		(338)
Utilities Provision	(1,013)			287	(726)
Other Provisions	(289)	(880)	130	80	(959)
<b>Total Provisions</b>	<b>(2,484)</b>	<b>(1,349)</b>	<b>762</b>	<b>547</b>	<b>(2,524)</b>
Split:					
Short Term Provisions (due within 1 year)					(2,423)
Long Term Provisions (due after 1 year)					(101)
<b>Total Other Liabilities</b>					<b>(2,524)</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 £0.021m.

## Notes to the Financial Statements

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. There are further outstanding claims where the settlement amount cannot be estimated reliably enough to provide for the costs.

The Council reduced the discount on council tax from second homes to 10% during 2005-06. The additional council tax income invoiced during 2013-14 amounted to £1.944m; 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 £0.080m.

As with previous years, liabilities have arisen in respect of employees who will be made redundant as a result of restructuring. The Council has had significant budget savings to make and there will be an ongoing requirement to make savings in future years. The Council invited all employees to express an interest in voluntary redundancy. As a result of service review and other savings agreed as part of the budget process for 2011-12 to 2013-14 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 2014 were incurred in-year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2014, a provision of £0.049m has been created during 2013-14. For further information refer to note 33 - Termination Benefits.

The utilities provision was created during 2011-12 to cover a potential liability in relation to discrepancies in charges for utility costs, £0.287m has been utilised this during 2013-14 resulting in a total provision of £0.726m.

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 2014-15.

## 29. DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

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.

## Notes to the Financial Statements

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### **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.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts due by statute as described in the accounting policies note.

#### **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 2014. These payments have been accrued and are included within the creditors figure on the balance sheet. These have been paid during April 2014. The amounts are as follows:

- Local Government Pension Scheme – £1.197m
- Teachers' scheme – £0.715m

#### **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 2014 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:



## Notes to the Financial Statements

	2013-14 £'000	2012-13 £'000
<b>Comprehensive Income and Expenditure Statement:</b>		
<b>Cost of Services:</b>		
<i>Service cost comprising:</i>		
Current Service Cost	13,946	10,659
Past Service Cost (Including Curtailments)	444	1,370
<b>Net Cost of Services</b>	<b>14,390</b>	<b>12,029</b>
Net Interest Expense	4,537	3,395
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>18,927</b>	<b>15,424</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
Return on Assets (excluding amounts included in net interest)	(9,712)	(37,691)
Other Experience	203	155
Change in Financial Assumptions	21,507	55,703
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>30,925</b>	<b>33,591</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	(6,475)	(2,605)
<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>		
Employer's Contributions Payable to the Scheme	<b>12,452</b>	<b>12,819</b>

### 29.3 Assets and Liabilities in Relation to Post-Employment Benefits

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

	2013-14 £'000	2012-13 £'000
<b>Defined Benefit Obligation at 1 April</b>	<b>534,974</b>	<b>459,779</b>
Current Service Cost	13,946	10,659
Past Service Costs including Curtailments	444	1,370
Interest Cost	24,090	22,006
Contributions by Scheme Participants	3,347	3,265
Re-measurement Gains and (Losses)	21,710	55,858
Estimated Benefits Paid	(16,989)	(17,963)
<b>Defined Benefit Obligation at 31 March</b>	<b>581,522</b>	<b>534,974</b>

## Notes to the Financial Statements

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

	£'000	£'000
<b>Fair Value of Employer Assets at 1 April</b>	<b>435,110</b>	<b>380,687</b>
<b>Re-measurement Gains and (Losses):</b>		
Expected Rate of Return on Pension Fund Assets	9,712	37,691
Actuarial Gains and Losses	-	-
Interest Income on Plan Assets	19,553	18,611
Employers Contributions	12,452	12,819
Contributions by Scheme Participants	3,347	3,265
Estimated Benefits Paid	(16,989)	(17,963)
<b>Fair Value of Employer Assets at 31 March</b>	<b>463,185</b>	<b>435,110</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.

### 29.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

	2013-14 £'000	2012-13 £'000
<b>Local Government Pension Scheme</b>		
Present Value of Funded Liabilities	(553,500)	(507,422)
Present Value of Unfunded Liabilities	(28,022)	(27,552)
Fair Value of Employer Assets	463,185	435,110
<b>(Deficit) in the Scheme</b>	<b>(118,337)</b>	<b>(99,864)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits.

## Notes to the Financial Statements

### 29.5 Analysis of Pension Fund's Assets

Argyll and Bute Council's share of the Pension Fund's assets at 31 March 2014 comprised:

	2013-14 £'000	2012-13 £'000
Cash and Cash Equivalents	22,152	15,778
Equity Instruments (by industry type)		
Consumer	42,668	37,999
Manufacturing	37,483	34,906
Energy and Utilities	16,964	17,755
Financial Institutions	30,991	29,804
Health and Care	15,885	15,804
Information Technology	25,240	21,799
Sub-total Equity Instruments	169,231	158,067
Bonds (by sector)		
Corporate	3	2
Government	-	-
Sub-total Bonds	3	2
Real Estate		
UK Property	32,448	27,911
Overseas Property	-	-
Sub-total Real Estate	32,448	27,911
Private Equity (All)	43,684	42,010
UK		
Investment Funds and Unit Trusts		
Equities	140,979	132,542
Bonds	53,750	58,611
Commodities	184	264
Infrastructure	656	-
Other	1	1
Sub-total Investment Funds and Unit Trusts	195,570	191,418
Derivatives		
Forward Foreign Exchange Contracts	-	-
Other	98	(76)
Sub-total Derivatives	98	(76)
<b>Total Assets</b>	<b>463,186</b>	<b>435,110</b>

## Notes to the Financial Statements

Fair Value of Pension Fund Assets	2013-14 £'000	2012-13 £'000
Equity Securities		
Quoted in an Active Market	168,875	157,893
Not Quoted in an Active Market	356	174
<b>Sub-total Equity Securities</b>	<b>169,231</b>	<b>158,067</b>

### 29.6 Basis for Estimating Assets and Liabilities

The Council's share of the liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

Long-term Expected Rate of Return on Assets in the Fund	2013-14 %	2012-13 %
Equity Investments	4.3%	4.5%
Bonds	4.3%	4.5%
Property	4.3%	4.5%
Cash	4.3%	4.5%

Mortality assumptions	2013-14 Years	2012-13 Years
Longevity at 65 for current pensioners:		
Men	21.0	21.0
Women	23.4	23.4
Longevity at 65 for future pensioners:		
Men	23.3	23.3
Women	25.3	25.3

Financial Assumptions	2013-14 %	2012-13 %
Rate of Inflation (CPI)	2.8%	2.8%
Rate of Increase in Salaries	5.1%	5.1%
Rate of Increase in Pensions (CPI)	2.8%	2.8%
Rate for discounting scheme liabilities	4.3%	4.5%

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.

## Notes to the Financial Statements

### 29.7 Asset and Liability Matching (ALM) Strategy

The main fund (Fund 1) of Strathclyde Pension fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into too narrow a range.

### 29.8 Impact on the Authority's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for 2014-2015. The next three years will be set following completion of the triennial valuation as at 31 March 2014.

The Fund will need to take account of impending national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new career average revalued earnings (CARE) scheme for future accruals.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 is £10.703m.

The assumed weighted average duration of the defined benefit obligation is 17.8 years (this is different from the mortality assumptions quoted in the table above in "Basis for Estimating Assets and Liabilities").

### 29.9 Change in Accounting Policy IAS19

Argyll and Bute Council implemented a change of accounting policy with effect from 2013-14 financial year relating to the June 2011 amendments to the accounting standard IAS19 Employee Benefits. The key change relates to the expected return on assets. In order to permit a meaningful comparison between financial years, some figures in the previous year's audited financial statements have been amended.

There has been a redistribution of costs within the Comprehensive Income and Expenditure Statement. The pensions interest cost within the Surplus or Deficit on the Provision of Services has increased with a corresponding reduction in actuarial (gains) or losses on pension assets and liabilities in Other Comprehensive Income and Expenditure. Essentially, the expected return on scheme assets that was credited to the Surplus or Deficit on the Provision of Services has been effectively replaced with an equivalent figure using the discount rate.

The effects of the restatement on the financial statements are as follows (only those lines that have changed are shown):

## Notes to the Financial Statements

### Effect on Comprehensive Income and Expenditure Statement

	As Previously Stated 2012-13 £'000	As Restated 2012-13 £'000	Movement 2012-13 £'000
<b>Financing and investment income and expenditure</b>			
Pension interest cost and expected return on pension assets (Restated as "Net Pension Interest Expense")	(18)	3,395	3,413
(Surplus) or deficit on the provision of services	(23,208)	(19,795)	3,413
Actuarial (gains) or losses on pension fund assets and liabilities (Restated as "Other Post Employment Benefits - Pensions")	21,580	18,167	(3,413)
Other comprehensive income and expenditure	19,553	16,140	(3,413)

### Movement in Reserves Statement – Usable Reserves 2012-13

	As Previously Stated 2012-13 £'000	As Restated 2012-13 £'000	Movement 2012-13 £'000
<b>General Fund Balance</b>			
(Surplus) or deficit on the provision of services	(23,208)	(19,795)	3,413
Adjustments between accounting basis and funding basis under regulations	808	(2,605)	(3,413)

### Movement in Reserves Statement – Unusable Reserves 2012-13

	As Previously Stated 2012-13 £'000	As Restated 2012-13 £'000	Movement 2012-13 £'000
<b>Unusable Reserves</b>			
Other comprehensive expenditure and income	16,140	19,553	3,413
Adjustments between accounting basis and funding basis under regulations	(808)	2,605	3,413

### 29.10 Teachers Pensions – Administered By Scottish Public Pensions Agency

Teachers employed by the Authority are members of the Teachers' Pension Scheme administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

## Notes to the Financial Statements

The Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of these Financial Statements, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31 March 2014, the Authority's own contributions equate to 1.46%.

	2013-14 £'000	2012-13 £'000
Amount Paid Over (£'000)	5,036	5,026
Rate of Contribution (%)	14.90%	14.90%
Amount of Added Years Awarded by the Council (£'000)	534	527

The contributions due to be paid to the Teacher's Scheme by Argyll and Bute Council in the next financial year are estimated to be £4.929m.

### 30. UNUSABLE RESERVES

Movements in the Authority's unusable reserves are detailed in the Statement of Movement in Reserves on pages 31 to 32.

#### 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.

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.

## Notes to the Financial Statements

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### 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 Statement of Movement in Reserves on pages 31 to 32.

### 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

### 31.1 Capital Funds Cont'd

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

Movements in 2013-14	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
<b>Balance at 1 April 2013</b>	<b>2,744</b>	<b>572</b>	<b>3,316</b>
Proceeds of Disposals	3	451	454
Transfer to Capital Adjustment Account	-	(322)	(322)
Contribution to Loans Fund Charges	-	-	-
Interest Earned	10	2	12
<b>Balance at 31 March 2014</b>	<b>2,757</b>	<b>703</b>	<b>3,460</b>

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

Movements in 2013-14	Balance at 31 March 2013 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2014 £'000
Education	781	396	2	(224)	955
Vehicles	69	-	1	-	70
<b>Total</b>	<b>850</b>	<b>396</b>	<b>3</b>	<b>(224)</b>	<b>1,025</b>

## 32. CONTINGENT LIABILITIES

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. Some of the outstanding land title issues were resolved during 2013-14 however there are still some landowners where a price has yet to be negotiated and therefore a reliable estimate cannot be made of the obligation at this stage.

The Council settled a number of equal pay claims during 2013-14, however there are a small number remaining where the outcome of the applications are unknown and there is insufficient information to allow the potential cost of these claims to be provided for. There is also the potential for other equal pay claims whose costs may be met by the Council.

Proper accounting practice requires, where appropriate, the costs of restoration and aftercare to be recognised in the valuation of the asset and as a provision as necessary. The Council does not currently consider these costs to be material. We will review the latest guidance on asset decommissioning, issued by LASAAC, during 2014-15 and determine the appropriate accounting treatment for the restoration and aftercare costs for the landfill sites within the council's area.

In a recent legal case, the European Court of Justice ruled that if a worker's remuneration includes contractual commission; their holiday pay must also take account of that commission. All pay elements such as overtime, standby/emergency call outs and commission should be included in the calculation of holiday pay. At this stage the extent of the Council's potential liability is unknown.

## Notes to the Financial Statements

### 33. TERMINATION BENEFITS

A number of savings options as a result of service reviews and other savings have been agreed at Council budget meetings to balance the Council budget. 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 have had their redundancy application accepted.

Redundancy costs as part of the programme of service reviews have been incurred by the Council since the 2010-11 financial year in relation to the budget savings agreed. In each year 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 2012-13 was £1.259m for 145 employees and in 2013-14 was £0.945m for 35 employees. These costs are detailed further in the Remuneration Report on pages 29 to 30.

Therefore termination costs for all Council employees who have accepted redundancy by 31 March 2014 have been accounted for in 2013-14, or in previous financial years. There is only one group 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 £0.338m 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. There are likely to be further redundancy costs incurred as the Council is required to make further savings to balance the budget in future years.

### 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	14	3	424	424
GM Duncan Trust	1	1	87	87
MacDougall Trust	2	-	609	609
Various Other Trust Funds	5	1	542	542
<b>Total Trust Funds</b>	<b>22</b>	<b>5</b>	<b>1,662</b>	<b>1,662</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 in 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 2014. 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 2014

2012-13 Actual £'000		2013-14 Actual £'000
195	Expenditure	175
(87)	Income	(87)
<b>108</b>	<b>(Surplus)/Deficit for the Year</b>	<b>88</b>

#### 35.2 Common Good Balance Sheet at 31 March 2014

2012-13 Actual £'000		2013-14 Actual £'000
942	Tangible Fixed Assets	4,284
1,983	Investments	2,036
137	Current Assets	188
(2)	Current Liabilities	(2)
<b>3,060</b>	<b>Total Assets less Liabilities</b>	<b>6,506</b>
481	Revaluation Reserve	3,961
2,579	Common Good Fund	2,545
<b>3,060</b>	<b>Total Net Worth</b>	<b>6,506</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:

	2013-14 £'000	2012-13 £'000
<b>Net (Surplus)/Deficit on Provision of Services</b>	<b>(1,694)</b>	<b>(19,795)</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	3,604	7,898
Transfer to/from Other Statutory Reserves	187	331
Increase/(Decrease) in Inventories	(241)	276
Increase/(Decrease) in Debtors	1,739	(904)
(Increase)/Decrease in Creditors and Provisions	4,402	(3,162)
Other Revenue Adjustments	(22,346)	(20,990)
	<b>(12,655)</b>	<b>(16,551)</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	10,580	10,604
Capital Element of Finance Lease Payments	(1,566)	(1,449)
	<b>9,014</b>	<b>9,155</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(5,335)</b>	<b>(27,191)</b>
<b>The cash flows for Operating Activities include the following items:</b>		
Interest Paid on Borrowings	8,564	9,855
Interest Paid on Finance Leases	8,174	8,286
Interest Received on Bank Deposits	(410)	(746)
<b>Net Cash Outflow from Servicing of Finance</b>	<b>16,328</b>	<b>17,395</b>

### 37. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

	2013-14 £'000	2012-13 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	21,463	26,465
Investments made during year	-	15,000
Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(454)	(394)
Other Receipts from Investing Activities	(10,876)	(11,598)
<b>Net Cash Outflow from Investing Activities</b>	<b>10,133</b>	<b>29,473</b>

## Notes to the Financial Statements

### 38. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

	2013-14 £'000	2012-13 £'000
Cash Receipts of Short and Long Term Borrowing	(706)	(296)
Other Receipts from Financing Activities	(6)	97
Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	1,566	1,449
Repayments of Short and Long Term Borrowing	141	87
Other Payments from Financing Activities	-	-
<b>Net Cash Outflow from Financing Activities</b>	<b>995</b>	<b>1,337</b>

## Council Tax Income Account

The Council Tax Income Account shows the gross income raised from council tax 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.

2012-13 Actual £'000		2013-14 Actual £'000
54,038	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	54,035
	Add Back:	
1,654	RSL Second Home Discount Additional Income	1,924
	Less:	
(7,793)	Other Discounts and Reductions	(13,560)
(994)	Provision for Bad and Doubtful Debts	(997)
<b>46,905</b>	<b>Total</b>	<b>41,402</b>
471	Adjustment to Previous Years' Community Charge and Council Tax	664
<b>47,376</b>	<b>Transfers to General Fund</b>	<b>42,066</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 2013-14 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 2013-14

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,687	9,808	9,340	5,978	7,286	4,041	2,726	239	47,105
<b>Less</b> - Exemptions / Deductions	1,015	824	1,057	529	594	253	188	50	4,510
- Adjustment for Single Chargepayers	878	1,015	749	444	420	192	103	6	3,807
<b>Effective Number of Properties</b>	<b>5,794</b>	<b>7,969</b>	<b>7,534</b>	<b>5,005</b>	<b>6,272</b>	<b>3,596</b>	<b>2,435</b>	<b>183</b>	<b>38,788</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>3,863</b>	<b>6,198</b>	<b>6,697</b>	<b>5,005</b>	<b>7,666</b>	<b>5,194</b>	<b>4,058</b>	<b>366</b>	<b>39,047</b>
<b>Add</b> Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									494
<b>Nominal Tax Yield</b>									<b>39,541</b>
<b>Less</b> Provision for Non-Collection - 3.25%									1,298
<b>Council Tax Base 2013-14 - Number of Band D equivalents</b>									<b>38,243</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.

2012-13 Actual £'000		2013-14 Actual £'000
36,757	Gross rates levied and Contributions in Lieu	38,669
	Less:	
(9,427)	Reliefs and other deductions	(10,100)
-	Payment of Interest	-
(75)	Provision for Bad and Doubtful Debts	(185)
<b>27,255</b>	<b>Net Non-Domestic Rate Income</b>	<b>28,384</b>
(776)	Contribution (to)/from national non-domestic rate pool	108
<b>26,479</b>	<b>Transfers to General Fund</b>	<b>28,492</b>



## Notes to the Non Domestic Rate Income Account

### 1. ANALYSIS OF RATEABLE VALUES

	2013-14 £	2012-13 £
Industrial and freight transport subjects	6,546,665	6,286,330
Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	55,602,432	51,996,975
Commercial subjects:		
Shops	13,468,040	12,958,360
Offices	4,925,695	5,033,860
Hotels, Boarding Houses etc.	6,658,775	6,628,775
Others	1,977,520	2,095,090
<b>Total Rateable Value</b>	<b>89,179,127</b>	<b>84,999,390</b>

### 2. NON-DOMESTIC RATE CHARGE

	2013-14 Pence	2012-13 Pence
Rate Per Pound	46.2p	45.0p
Supplementary Rate Per Pound for Properties over £35,000	0.9p	0.8p

### 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 Statement of Movement in Reserves

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

	Argyll and Bute Council							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	Total Reserves of Associates £'000			
	General Fund Balance £'000	Repairs and Renewals Fund £'000	Capital Funds £'000							
<b>Movements in 2013-14</b>										
Balance at 31 March 2013	(46,138)	(850)	(3,316)	(50,304)	(130,438)	(180,742)	261,675	(3,060)	77,873	
Transfer of Police and Fire Services to Central Government	-	-	-	-	-	-	(263,112)	-	(263,112)	
Revised Balance at 1 April 2013	(46,138)	(850)	(3,316)	(50,304)	(130,438)	(180,742)	(1,437)	(3,060)	(185,239)	
Surplus/(Deficit) on Provision of Services	(1,694)	-	-	(1,694)	-	(1,694)	79	35	(1,580)	
Other Comprehensive Income and Expenditure	-	-	-	-	7,611	7,611	302	(3,481)	4,432	
Total Comprehensive Income and Expenditure	(1,694)	-	-	(1,694)	7,611	5,917	381	(3,446)	2,852	
Total Statutory Adjustments (See Page 31-32)	3,604	-	(454)	3,150	(3,150)	-	-	-	-	
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	1,910	-	(454)	1,456	4,461	5,917	381	(3,446)	2,852	
<i>Other Transfers required by Statute</i>										
Transfer to/from Other Statutory Reserves	187	(175)	310	322	(322)	-	-	-	-	
(Increase)/Decrease in Year	2,097	(175)	(144)	1,778	4,139	5,917	381	(3,446)	2,852	
Balance at 31 March 2014 Carried Forward	(44,041)	(1,025)	(3,460)	(48,526)	(126,299)	(174,825)	(1,056)	(6,506)	(182,387)	

The Council's Statement of Movement in Reserves on pages 31 to 32 gives a more detailed analysis of the movement in the Council's usable and unusable reserves during 2013-14.

## Group Statement of Movement in Reserves



This statement shows the comparative movement in the year on 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 2012-13	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 2012</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>217,454</b>	<b>(2,147)</b>	<b>38,220</b>
Surplus/(Deficit) on Provision of Services	(19,795)	-	-	(19,795)	-	(19,795)	13,370	(107)	(6,532)
Other Comprehensive Expenditure and Income	-	-	-	-	16,140	16,140	30,851	(806)	46,185
<b>Total Comprehensive Expenditure and</b>	<b>(19,795)</b>	<b>0</b>	<b>0</b>	<b>(19,795)</b>	<b>16,140</b>	<b>(3,655)</b>	<b>44,221</b>	<b>(913)</b>	<b>39,653</b>
<b>Total Statutory Adjustments (See Page 33-34)</b>	<b>7,898</b>	<b>-</b>	<b>(394)</b>	<b>7,504</b>	<b>(7,504)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (Increase)/Decrease before Transfers to Other Statutory Reserves</b>	<b>(11,897)</b>	<b>-</b>	<b>(394)</b>	<b>(12,291)</b>	<b>8,636</b>	<b>(3,655)</b>	<b>44,221</b>	<b>(913)</b>	<b>39,653</b>
<b>Other Transfers required by Statute</b>									
Transfer to/from Other Statutory Reserves	331	(318)	170	183	(183)	-	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>(11,566)</b>	<b>(318)</b>	<b>(224)</b>	<b>(12,108)</b>	<b>8,453</b>	<b>(3,655)</b>	<b>44,221</b>	<b>(913)</b>	<b>39,653</b>
<b>Balance at 31 March 2013 Carried Forward</b>	<b>(46,138)</b>	<b>(850)</b>	<b>(3,316)</b>	<b>(50,304)</b>	<b>(130,438)</b>	<b>(180,742)</b>	<b>261,675</b>	<b>(3,060)</b>	<b>77,873</b>

The Council's Statement of Movement in Reserves on pages 33 to 34 gives a more detailed analysis of the movement in the Council's usable and unusable reserves during 2012-13.

## 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 31 to 32.

2012-13			Note	2013-14		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
105,237	6,767	98,470	Service	108,526	6,885	101,641
31,079	27,234	3,845	Education Services	36,753	28,042	8,711
12,918	2,351	10,567	Housing Services (Non-HRA)	13,360	2,345	11,015
21,559	4,542	17,017	Cultural and Related Services	23,222	4,221	19,001
24,913	7,018	17,895	Environmental Services	24,214	6,321	17,893
7,086	4,373	2,713	Roads and Transport Services	7,552	4,477	3,075
8,251	4,054	4,197	Trading Services	10,816	5,554	5,262
66,738	9,379	57,359	Planning and Development Services	70,096	10,698	59,398
-	-	-	Social Work	-	-	-
4,126	103	4,023	Central Services:	4,353	125	4,228
1,812	5	1,807	- Corporate and Democratic Core	1,850	2	1,848
3,248	1,279	1,969	- Non Distributed Costs	3,091	1,300	1,791
7,308	-	7,308	- Central Services to the Public	-	-	-
4,548	-	4,548	Strathclyde Police Joint Board	-	-	-
42,891	29,521	13,370	Strathclyde Fire and Rescue Joint Board	3,147	3,068	79
			Associates Accounted for on an Equity Basis			
<b>341,714</b>	<b>96,626</b>	<b>245,088</b>	<b>Net Cost of Services</b>	<b>306,980</b>	<b>73,038</b>	<b>233,942</b>

## Group Statement of Comprehensive Income and Expenditure

			26
<b>Other Operating Income and Expenditure:</b>			(3)
Net (Gain)/loss on Disposal of Fixed Assets	2,077		1,048
(Surplus)/deficit on trading undertakings	(57)		
Other Operating Income and Expenditure	954		
<b>Total Other Operating Income and Expenditure</b>	<b>2,974</b>		<b>1,071</b>
<b>Financing and Investment Income and Expenditure:</b>			
Interest Payable and Similar charges	17,512		18,107
Interest and Investment Income	(1,324)		(778)
Net Pension Interest Expense	3,395		4,537
<b>Total Financing and Investment Income and Expenditure</b>	<b>19,583</b>		<b>21,866</b>
<b>Taxation and Non-Specific Grant Income:</b>			
General Government Grants	(188,864)		(176,904)
Government Capital Grants and Other Capital Contributions	(11,458)		(10,997)
Non-domestic Rates Redistribution	(26,479)		(28,492)
Council Tax Income	(47,376)		(42,066)
<b>Total Taxation and Non-Specific Grant Income</b>	<b>(274,177)</b>		<b>(258,459)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(6,532)</b>		<b>(1,580)</b>
(Surplus)/Deficit on revaluation of Fixed Assets	(2,833)		(4,387)
Other Post Employment Benefits (Pensions)	18,167		11,998
Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds	30,851		(3,179)
<b>Other Comprehensive Income and Expenditure</b>	<b>46,185</b>		<b>4,432</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>39,653</b>		<b>2,852</b>

## Group Balance Sheet



31 March 2013	Note 1	Adjusted Opening Balance 1 April 2013		31 March 2014	
				£'000	£'000
			<b>Long Term Assets</b>		
293,846		293,846	Property Plant & Equipment		
8,822		8,822	- Other Land and Buildings	290,414	
163,822		163,822	- Vehicles, Plant, Furniture and Equipment	10,674	
2,408		2,408	- Infrastructure Assets	169,555	
3,510		3,510	- Community Assets	5,954	
17,400		17,400	- Surplus Assets	4,581	
			- Assets Under Construction	25,591	
<b>489,808</b>	-	<b>489,808</b>	Property Plant & Equipment		<b>506,769</b>
1,324		1,324	Heritage Assets		1,371
203		203	Intangible Assets		351
6,397		6,397	Investment Property		6,281
3,563		3,563	Long-Term Debtors		4,011
1,983		1,983	Long-Term Investments		2,036
2,646		2,646	Investment in Associates		2,626
<b>505,924</b>	-	<b>505,924</b>	<b>Total Long Term Assets</b>		<b>523,445</b>
			<b>Current Assets</b>		
631		631	Inventories	390	
14,477		14,477	Short Term Debtors (Net of Impairment)	16,073	
1,708		1,708	Assets Held for Sale	153	
35,000		35,000	Short Term Investments	35,000	
11,899		11,899	Cash and Cash Equivalents	6,121	
<b>63,715</b>	-	<b>63,715</b>	<b>Total Current Assets</b>		<b>57,737</b>
			<b>Current Liabilities</b>		
(3,639)		(3,639)	Short-term Borrowing	(11,442)	
(35,297)		(35,297)	Short-term Creditors	(32,882)	
(116)		(116)	Capital Grant Receipts in Advance	(165)	
(2,183)		(2,183)	Provisions	(2,423)	
(1,566)		(1,566)	Other Short Term Liabilities	(1,734)	
<b>(42,801)</b>	-	<b>(42,801)</b>	<b>Total Current Liabilities</b>		<b>(48,646)</b>
			<b>Long-term Liabilities</b>		
(159,871)		(159,871)	Borrowing Repayable within a Period in Excess of 12 Months	(151,520)	
(80,354)		(80,354)	Other Long-term liabilities	(78,621)	
(301)		(301)	Provisions	(101)	
(99,864)		(99,864)	Other Long-term liabilities (Pensions)	(118,337)	
(264,321)	263,112	(1,209)	Liabilities in Associates	(1,570)	
<b>(604,711)</b>	<b>263,112</b>	<b>(341,599)</b>	<b>Total Long-term Liabilities</b>		<b>(350,149)</b>
<b>(77,873)</b>	<b>263,112</b>	<b>185,239</b>	<b>Total Assets less Liabilities</b>		<b>182,387</b>

## Group Balance Sheet



31 March 2013	Note 1	Adjusted Opening Balance 1 April 2013		31 March 2014	
				£'000	£'000
55,339		55,339	<b>Unusable Reserves</b>		
185,215		185,215	- Revaluation Reserve	56,113	
(5,262)		(5,262)	- Capital Adjustment Account	198,230	
(99,864)		(99,864)	- Financial Instruments Adjustment Account	(4,889)	
(4,712)		(4,712)	- Pensions Reserve	(118,337)	
			- Accumulated Absences Account	(4,818)	
<b>130,716</b>		<b>130,716</b>			126,299
			<b>Usable Reserves</b>		
3,316		3,316	- Capital Funds	3,460	
850		850	- Repairs and Renewals Funds	1,025	
46,138		46,138	- General Fund Balance	44,041	
<b>50,304</b>		<b>50,304</b>			48,526
(261,675)	263,112	1,437	<b>Group Reserves</b>		1,056
2,782		2,782	<b>Common Good Reserves</b>		6,506
<b>(77,873)</b>	<b>263,112</b>	<b>185,239</b>	<b>Total Reserves</b>		<b>182,387</b>

The Balance sheet is a snapshot of the value at the 31 March 2014 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  
26 September 2014

**Note 1:**

*On the 1 April 2013 police and fire services transferred to the Scottish Government. The joint board arrangements have ceased and are no longer part of the authority's group arrangements. Consequently, the opening balance sheet has been adjusted to reflect the assets, liabilities and reserves transferred to the relevant new bodies on 1 April 2013.*

## Notes to the Group Financial Statements

### 1. INTRODUCTION

The Code of Practice on Local Authority Accounting in the United Kingdom 2013-14: Based on International Financial Reporting Standards 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.

On the 1 April 2013 police and fire services transferred to the Scottish Government. The joint board arrangements have ceased and are no longer part of the authority’s group arrangements. Consequently, the opening balance sheet has been adjusted to reflect the assets, liabilities and reserves transferred to the relevant new bodies on 1 April 2013.

### 2. GROUP ACCOUNTING POLICIES

The group accounts are prepared in accordance with the policies set out in Note 1 to the Financial Statements on pages 40 to 52.

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

### 3. 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:

- 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.

Two of the three Joint Boards (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 2014.

### 4. 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 £0.067m towards Scotland Excel in the 2013-14 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



## Notes to the Group Financial Statements

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.

### 5. 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.

### 6. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £7.562m. This gives an overall net asset position for the Group of £182.387m.

All associates have prepared their accounts on a 'going concern' basis. 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.

### 7. 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 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 2013-14 and accounted for £2.559m 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 2013-14 the Council contributed £0.176m 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

## Notes to the Group Financial Statements

for Argyll and Bute, West Dunbartonshire and East Dunbartonshire Councils. The Board's running costs are met by the three Councils. During 2013-14 Argyll and Bute Council contributed £1.141m towards estimated running costs and accounted for £1.570m of Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Dunbartonshire and Argyll and Bute Valuation Joint Board, Council Offices, Garshake Road, Dumbarton G82 3PU.

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

	2013/14 £'m	2012/13 £'m
Argyll and Bute Council has a 48.1% share of:		
Gross Income	2.745	2.458
Net (Surplus)/Deficit	0.191	0.203
Long Term Assets	0.847	0.873
Current Assets	0.644	0.876
Liabilities due within one year	(0.126)	(0.452)
Liabilities due over one year	-	-
Pension Liability	(4.544)	(3.810)
Capital and Revenue Reserves	(3.178)	(2.513)

### 8. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure (pages 35 to 36) 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 94 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £6.506m

### 9. 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 39. 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.

## 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 2014 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority only Statements of Movement in Reserves, Statements of Comprehensive Income and Expenditure and Balance Sheets, the authority only Cash-Flow Statement, the Council Tax Income Account, the Non-domestic Rate Account 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 2013/14 (the 2013/14 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 annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2013/14 Code of the state of the affairs of the group and of the body as at 31 March 2014 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 2013/14 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  
4<sup>th</sup> Floor  
8 Nelson Mandela Place  
Glasgow G2 1BT

**30 September 2014**



## Financial summary — 2013/14

This Summary provides an overview of our financial position and the key issues that have arisen during the financial year. It provides information on revenue and capital income and expenditure for the year, assets and liabilities, borrowing and reserves with a comment on the future outlook.

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

[http://www.argyll-bute.gov.uk/sites/default/files/financial\\_statements\\_2013-14\\_signed.pdf](http://www.argyll-bute.gov.uk/sites/default/files/financial_statements_2013-14_signed.pdf)

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

The financial outlook for 2014-15 and 2015-16 is one of relative financial stability. The council adopted a two-year budget for 2014-15 and 2015-16 in February 2014, based on achieving 1% cashable efficiency savings for each of these financial years.

### Revenue expenditure—the day-to-day costs of delivering our services

Revenue expenditure includes the cost of employing staff, operating and maintaining buildings, the cost of goods and services purchased from suppliers and the cost of financing borrowing. Statutory adjustments are required to ensure the General Fund balance reflects statutory requirements in relation to pension costs and the cost of borrowing.

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

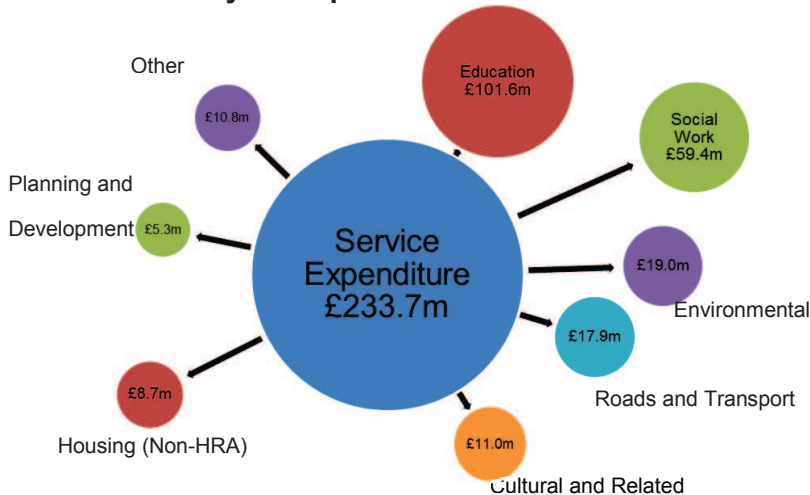
The net cost of service provision was £233.7m with total expenditure of £256.8m which was offset by taxation and non-specific grants totalling £258.5m. This left a surplus on the provision of service of £1.7m which after statutory adjustments of £3.8m resulted in a decrease in the general fund balance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

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

The departmental controllable expenditure for 2013-14 was an underspend of £0.8m compared to budget excluding Joint Board requisitions and severance costs. When all expenditure and income is included the final outturn was an underspend compared to budget of £3.4m.

## What the money was spent on—by service

### What the money was spent on? £'m



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

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

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

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

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

#### **2,500,000m<sup>2</sup> of grass cutting, collecting waste from 47,800 homes and more—£19.0m (8.1% of net cost of services)**

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

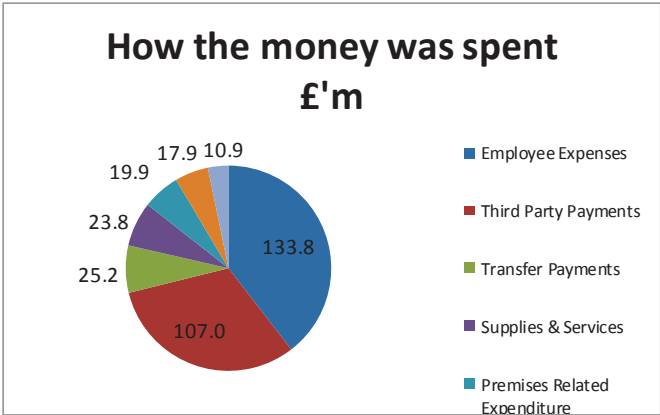
#### **1,406 miles of roads, 954 bridges, maintenance—£17.9m (7.7%)**

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

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

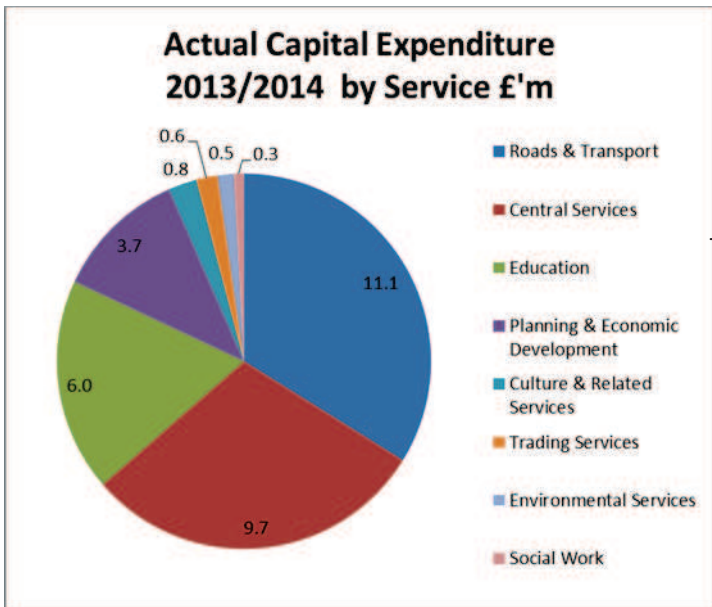
**How the money was spent**

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



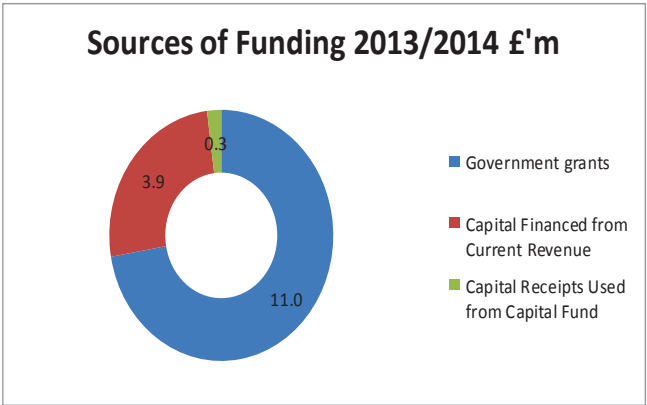
**Capital expenditure—expenditure on council assets**

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



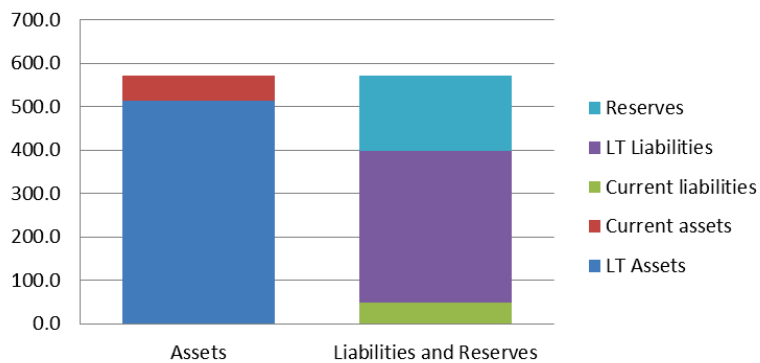
Gross capital expenditure was £32.7m. £11.1m related to roads and transportation, £9.7m to central services, £6.0m to education services, £3.7m to planning and economic development and the remaining £2.2m to culture & related, trading, environmental and social work services.

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



## Balance Sheet—our assets and liabilities

### Assets and Liabilities £'m



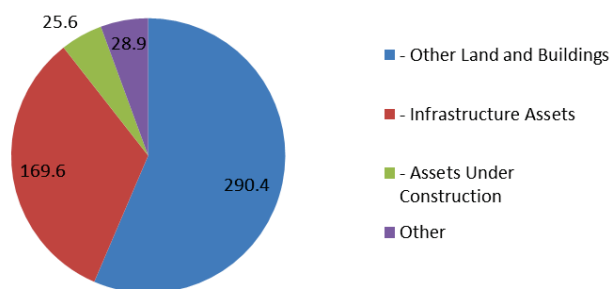
The balance sheet shows the value at the balance sheet date of the assets and liabilities recognised by the council. Net assets (assets less liabilities) are matched by the reserves held by the council.

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

Summary of Balance Sheet	31 March 2013 £'m	31 March 2014 £'m
Long term assets - Property, plant and equipment, heritage assets and long term debtors. The increase is a result of revaluation, capital expenditure less disposal and depreciation	500.4	514.5
Current assets - Stock, short term debtors, assets held for sale, short term investments and cash. The decrease is a result of a lower level of cash in the bank at 31 March 2014.	63.7	57.7
Current liabilities - Short term borrowing, creditors, provisions and other short term liabilities. The increase is a mainly due to some borrowing now being payable within 12 months.	-42.9	-48.7
Long term liabilities - Not due for payment for at least 12 months and comprise borrowing, payments due under the NPDO, provisions and pensions liability. The increase is mainly due to an increase in pension liability.	-340.4	-348.6
<b>Total reserves</b>	<b>180.7</b>	<b>174.8</b>

## Long-term assets

### Value of Long Term Asset By Type £'m



The value of the council's long term assets has increased from £500.4m at 31 March 2013 to £514.5m at 31 March 2014, an increase of £14.1m (2.8%). This comprises the net of an overall upward revaluation of fixed assets, capital expenditure in the year, less the value of fixed assets disposed.



## Long-term assets

The main long term assets held by the council are land and buildings which account for £290.4m (56.4%).

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

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

Other assets include vehicles, plant, equipment, investment property, surplus assets, long term debtors, community assets, heritage assets and software licences. These account for the remaining £28.9m (5.6%).

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

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

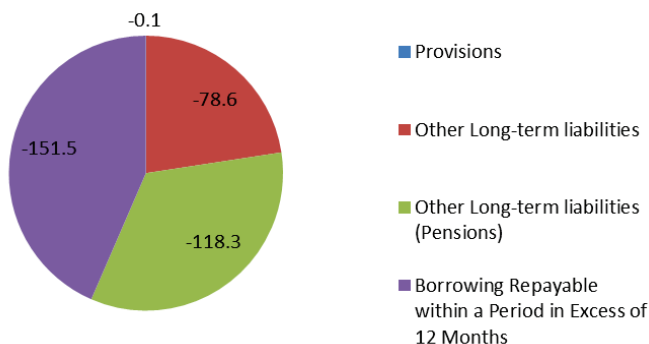
## Current assets and liabilities

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

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

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

### Type and Value of Long-Term Liabilities £'m



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

## Treasury management—taking care of our borrowing and investments

Treasury management is taking care of our borrowing, cash flow and investments. We have to make sure that these bring the best possible returns so that the council can continue to deliver its essential services, while at the same time managing and planning for any risks.

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

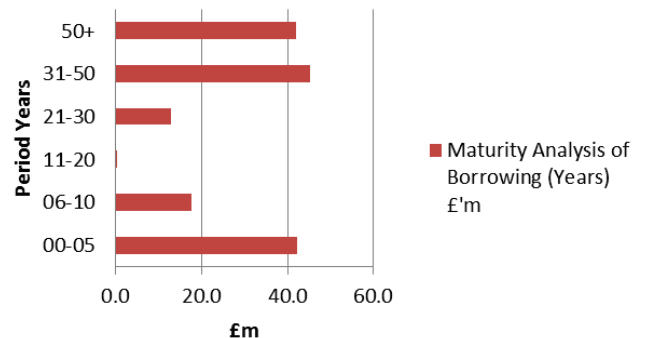
	31 March 2014 £m	31 March 2013 £m
Capital Finance Requirement	256.5	258.4
Borrowing incl NPDO	-240.8	-242.1
Over (Under Borrowed)	-15.7	-16.3

The table above sets out a comparison of the CFR with the council's actual borrowing which shows that the council was under-borrowed at both 31 March 2013 and 2014. This has occurred because the council is using part of its reserves to fund capital expenditure. This use of reserves has had the impact of reducing the cash the council has had to invest on the money markets; this was a strategic decision as the rates of return on investments are lower than the interest rate that the council would have to pay if it borrowed money.

## Borrowing

The council borrows money to finance capital expenditure. Borrowing allows us to spread the cost of capital expenditure over a number of years. The maturity profile reflects when loans are due for repayment. At 31st March 2014, the total sum of money borrowed from external sources was £161.8m. Most of this was financed by the Public Works Loan Board (£108.1m) with the rest coming mainly from the money market.

### Maturity Analysis of Borrowing (Years) £'m



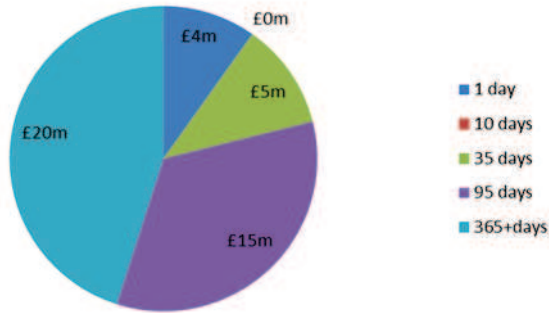
Find our full accounts online at

[http://www.argyll-bute.gov.uk/sites/default/files/financial\\_statements\\_2013-14\\_signed.pdf](http://www.argyll-bute.gov.uk/sites/default/files/financial_statements_2013-14_signed.pdf)



**Investments**

**Investments by Maturity Period**



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

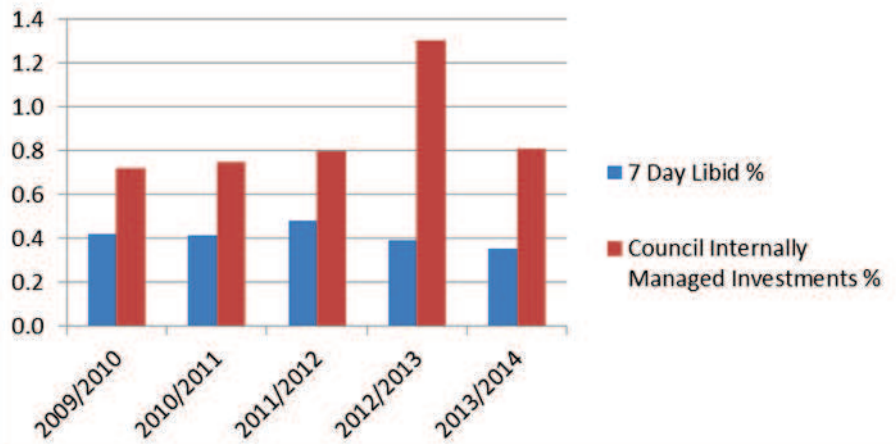
To achieve these objectives the council places cash with a number of different banks for periods ranging from overnight to one year, depending on the credit rating of the bank and the limits that have been set within the investment strategy relating to each institution.

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

The chart on the right shows the trend in average interest rates over the last five years.

The trend has been one of increasing returns due to the availability of attractive rates of interest from the banks these rates declined in 2013-2014.

**Average interest rates 2009-2014**



**Reserves**

Reserves can be usable or unusable:

**Usable reserves:**

- Backed by actual resources
- Can be applied to fund expenditure or reduce local taxation

**Unusable reserves:**

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

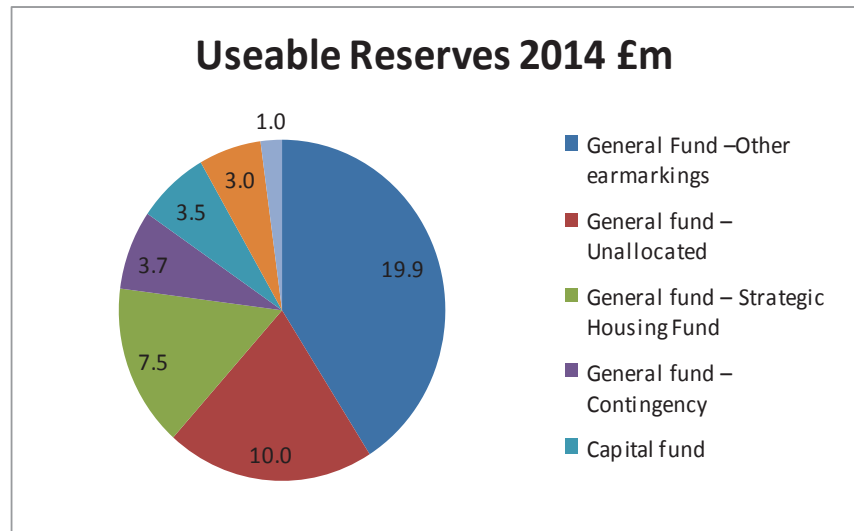
## Reserves

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

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

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

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



The main movements in useable reserves are as follows:

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

## Future outlook

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



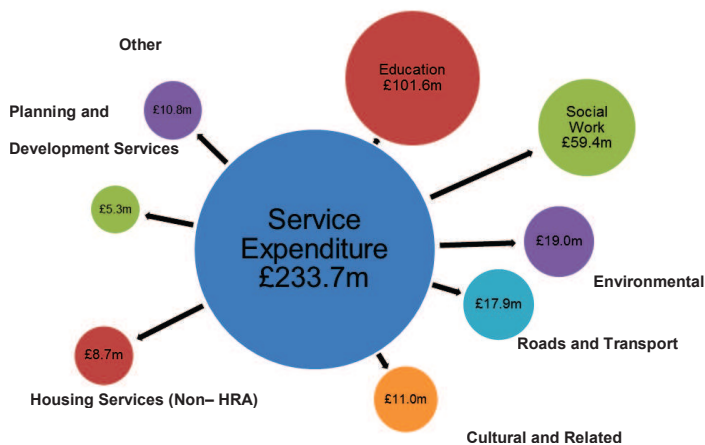
An outline of Argyll and Bute Council's financial position during the 2013/14 period, highlighting the key issues over the year.

### Revenue expenditure—the day-to-day costs of delivering our services

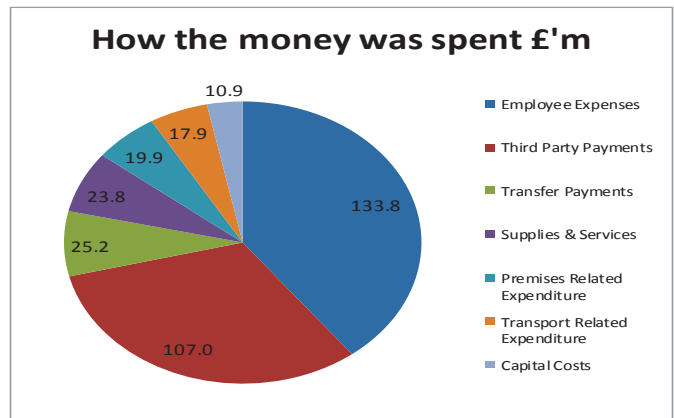
	Actual 13/14 £m
Net cost of services	233.7
Other operating income and expenditure	1.1
Finance and investment income and expenditure	22.0
Total expenditure	256.8
Taxation and non specific grants	(258.5)
<b>(Surplus)/deficit on provision of services</b>	<b>(1.7)</b>
Statutory adjustments	3.8
<b>(Increase)/decrease in General Fund Balance</b>	<b>2.1</b>

- During 2013/14 we spent £233.7m on services.
- Most of this was spent on Education and Social Work which account for 69% of the net cost of services.
- The gross cost of services was £338.5 with the cost of employing staff and payments to contractors and outside agencies representing the 2 biggest costs and 71% of the gross cost.

### What the money was spent on? £'m



### How the money was spent £'m



### Capital expenditure—spending on our assets

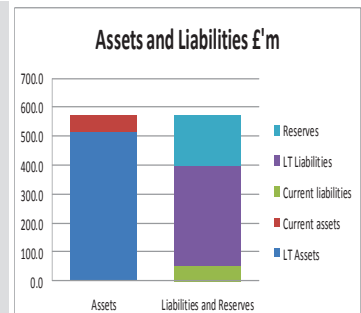
Capital expenditure is the money spent on acquiring or enhancing fixed assets like buildings, land, roads and equipment. It is funded by income from sales of assets, government grants and contributions from reserves and the revenue budget with the balance coming from borrowing. During 2013/14 capital expenditure was £32.7m with capital funding of £15.2m resulting in borrowing of £17.5m.

	Actual 13/14 £m
Gross capital expenditure	32.7
Capital funding	15.2
Borrowing	17.5

### Balance Sheet—our assets and liabilities

Long term assets include buildings, land, roads and equipment. Current assets are mainly monies owed to the council and cash held in bank accounts or on investment. Current liabilities are sums we are due to pay within the next financial year. Long term liabilities include long term borrowing, future payments for NPDO and pension liabilities.

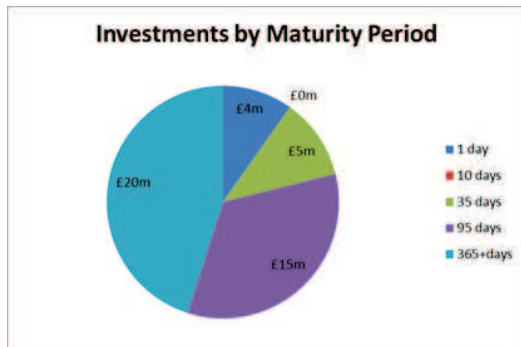
Net assets (comprising long term and current assets less current and longer term liabilities) is represented by the council's reserves. The council's net assets are £174.8m.



An outline of Argyll and Bute Council's financial position during the 2013/14 period, highlighting the key issues over the year.

## Treasury management—our borrowing and investments

Treasury management is taking care of our borrowing, cash flow and investments. We have to make sure that these bring the best possible returns so that the council can continue to deliver its essential services, while at the same time managing and planning for any risks.

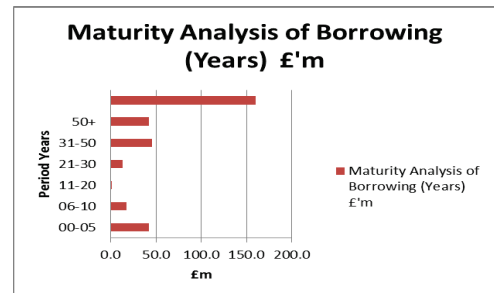


Our investment strategy aims to optimise the rate of return. This helps us to ensure we have money available to make payments when we need to, and also to make sure that the money invested is repaid to the council in full.

To achieve this we place money with a number of different banks for periods ranging from overnight to one year, depending on the credit rating of the bank and the limits relating to that institution and set out within our investment strategy.

### Borrowing

At 31st March 2014, the total sum of money borrowed from external sources was £161.8m. Most of this was financed by the Public Works Loan Board (£108.1m) with the rest coming mainly from the money market.

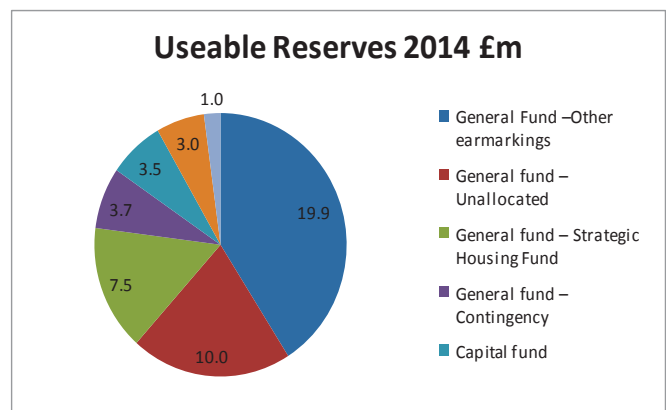


## Reserves—amounts set aside for specific purposes

Reserves can be usable or unusable. Usable reserves are those backed by actual resources and can be applied to fund expenditure or reduce local taxation. Unusable resources are required purely for accounting purposes—they do not represent resources available for the council to use. The council holds a total of £174.8m in reserves. Usable reserves sit at £48.5m

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

	31 March 2014 £m
Unusable reserves	126.3
Capital fund	3.5
Renewal and repairs fund	1.0
General fund – Contingency	3.7
General fund – Strategic Housing Fund	7.5
General fund – Schools Capital	3.0
General Fund –Other earmarkings	19.9
General fund – Unallocated	10.0
<b>Total reserves</b>	<b>174.8</b>





## **Argyll and Bute Council**

### **Annual report on the 2013/14 audit (Draft)**

Prepared for the members of Argyll and Bute  
Council and the Controller of Audit

October 2014



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# Key messages

## Best Value, use of resources & performance

- The Accounts Commission considered a Best Value audit follow-up report at its meeting on 19 June 2014, and issued its findings.
- These reflected progress made but recognised that it is too early to assess the effectiveness and impact of the actions and plans being implemented.
- The council has much work to do, if it is to secure the improvements required by the Accounts Commission in October 2013, and meet its statutory duties on Best Value.

## Governance & accountability

- Key financial controls operated effectively during 2013/14 but weaknesses in governance arrangements were reported on a range of issues.
- Scrutiny still needs to demonstrate improvement under the new committee structure.

## Financial position

- Financial management has been strong in 2013/14 with close budget monitoring and regular reporting to members.
- Whilst the balance on the General Fund is reducing, it remains significant and in terms of uncommitted reserves, is considerably above the minimum target set by the council.
- There is short term stability but expenditure needs to be reduced over the period 2016/17 to 2019/20 by approximately £77 million in total.
- Achieving these savings will require fundamental decisions to be made by councillors about future service provision and delivery.

## Financial statements

- We have given an unqualified audit opinion on the financial statements of Argyll and Bute Council for financial year 2013/14.

## Outlook

- Councils face rising demands for services and continued funding pressures alongside managing major reforms in welfare and health and social care.
- Effective arrangements for Best Value and strong governance and leadership will be essential to ensure the council can meet the challenges it faces, use available resources efficiently and achieve continuous improvement in its performance.

## Key Messages

### Best Value, use of resources and performance

1. A Best Value audit follow-up report was considered by the Accounts Commission at its meeting on 19 June 2014. The Commission accepted the Controller of Audit's report and noted in its findings that it is encouraged that the council is making progress against its previous findings of October 2013.
2. However, the Commission also agreed that it is too early to assess the effectiveness and impact of the actions and plans being implemented, concluding that there is still much work to be done if the council is to secure the improvements required and meet its statutory duties on Best Value.

### Governance and accountability

3. The council recognises that governance and scrutiny arrangements are not effective in all areas.
4. The Best Value follow-up audit report says that scrutiny still needs to improve in its new committee structure.
5. The key controls within the council's main financial systems were operating effectively during 2013/14. However weaknesses in governance arrangements were reported relating to a range of issues, on the:
  - Sale of Kilbowie House, Oban
  - Helensburgh CHORD redevelopment project

- Funding for the Scottish Submarine Museum
  - Gourock to Kilcreggan Ferry Service.
6. The council's 2013/14 Corporate Governance Statement was revised to include some of these issues.
  7. The level of local interest in the council's activities leads to a considerably large amount of correspondence being sent to Audit Scotland, asking for issues to be considered as part of our audit. We have reflected the findings from any work that arises from this correspondence throughout this report.

### Financial position

8. The closing balance at the year end on usable reserves was £48.526 million representing a net decrease of £1.778 million from 2012/13. Whilst the balance on the General Fund is reducing, it remains significant and in terms of uncommitted reserves, is considerably above the minimum target set by the council.
9. The council estimates it will require to reduce expenditure over the period 2016/17 to 2019/20 by an average of around three per cent or £8 million per annum, building up to £28.565 million in 2019/20. This equates to approximately £77 million in total over the four-year period. Achieving these savings will require fundamental decisions to be made by councillors about future service provision and delivery.

## Key Messages

10. The council plans to use the two-year period of financial stability (2014/15 and 2015/16) to develop and put in place proposals to address the longer-term funding outlook and to consider how resources are aligned to the Single Outcome Agreement 2013-23 and council priorities, future savings and options for additional income.

## Financial Statements

11. We have given an unqualified audit opinion that the financial statements of Argyll and Bute Council for 2013/14 give a true and fair view of the state of the affairs of the council and its group as at 31 March 2014 and of the income and expenditure for the year then ended.
12. We have also given an unqualified audit opinion on the 2013/14 financial statements of the registered charities audited under the provisions of The Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations).
13. Overall performance against budget was an underspend of £3.360 million, representing 1.33% of net service expenditure. The council underspent against its departmental controllable budget by £0.842 million (0.40% of the 2013/14 revenue budget).
14. Financial management remains strong with close budget monitoring and regular reporting to members.

## Outlook

15. Demands on services and resources continue to increase and these need to be managed alongside major reforms in the welfare system and health and social care. This underlines the need for strong governance, leadership and decision making based on good cost and performance information. Effective working with partners will be required to make the best use of available resources, as well as innovation and vision to design and deliver the services needed to serve the future needs of citizens.
16. Given the outcome of the referendum there is the potential for even further change with significant impact likely on local services, governance and accountability.

# Introduction

17. This report is a summary of our findings arising from the 2013/14 audit of Argyll and Bute Council. The purpose of the annual audit report is to summarise the auditor's opinions and conclusions, and to report any significant issues arising from the audit. The report is divided into sections which reflect our public sector audit model. The order of the sections reflect our assessment of the risk areas in the council.
18. Our responsibility, as the external auditor of Argyll and Bute Council, is to undertake our audit in accordance with International Standards on Auditing (UK and Ireland) and the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.
19. The management of Argyll and Bute Council is responsible for:
- preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
20. This report is addressed to the members of Argyll and Bute Council and the Controller of Audit and should form the basis of

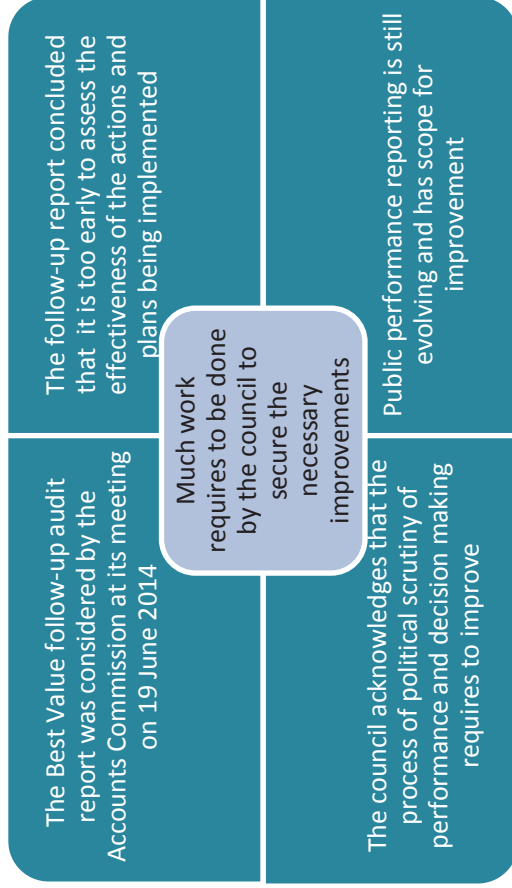
discussions with the Audit Committee as soon as possible after it has been issued. Reports should be made available to stakeholders and the public, as audit is an essential element of accountability and the process of public reporting.

21. This report will be published on our website after it has been considered by the council. The information in this report may be used for the Account's 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.
22. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, shown at Appendices I and II, include recommendations for improvements. 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.
23. The concept of audit risk is of key importance to the audit process. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements. We set out in our annual audit plan the related source of assurances and the audit work we proposed to undertake to secure appropriate levels of assurance. Appendix III sets out the significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

## Introduction

24. Appendix IV 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 "Management action/response".
25. We recognise that not all risks can be eliminated or even minimised. What is important is that Argyll and Bute Council understands its risks and has arrangements in place to manage these risks. The council and the Proper Officer should ensure that they are satisfied with proposed management action and have a mechanism in place to assess progress and monitor outcomes.
26. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
27. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Best value, use of resources and performance



28. Local authorities have a statutory duty to provide Best Value in carrying out their functions and delivering services, including those provided through Arms-Length Organisations. This requires continuous improvement while maintaining a balance between quality and cost and having regard to value for money, equal opportunities and sustainability. There is also a duty to report performance to the public so that local people know what quality of service is being delivered and what they can expect

in the future.

## Assurance and improvement plan 2014-17

29. The Assurance and Improvement Plan (AIP) covering the period 2014 to 2017 is the fifth AIP for Argyll and Bute Council prepared by the Local Area Network (LAN) of scrutiny partners for the council, since the introduction of the shared risk assessment process. This has been published on Audit Scotland's website.
30. The LAN assessed all areas as 'no scrutiny required', with the exception of leadership and direction which was assessed as 'scrutiny required'.
31. The AIP recorded that following submission of a statutory report to the Accounts Commission on leadership and culture at Argyll and Bute Council in October 2013, Audit Scotland would carry out Best Value follow-up work, examining the council's progress in responding to the Accounts Commission's requirement for urgent progress. The follow up work considered progress up to April 2014.

## Statutory report follow-up

32. The October 2013 statutory report was presented to the Accounts Commission by the Controller of Audit. It covered leadership and culture at Argyll and Bute Council including the

## Best value, use of resources and performance

effectiveness of councillor to councillor and councillor to officer working relationships.

33. The Commission made findings on the report and asked the Controller of Audit to provide a further report on the progress made to improve over the following six months. The follow-up audit work reviewed progress made by the council over the six-month period between the publication of the statutory report at the end of October 2013 and April 2014. The follow-up audit report concluded that:

- Argyll and Bute Council has responded constructively to the Accounts Commission findings on the 2013 statutory report and it is making progress with improvement work. It is, however, too early to assess the effectiveness of the actions and plans being implemented.
- The leadership and political dynamics of the council are more stable but the situation remains fragile. The risk to the council is currently reduced but there are difficult circumstances ahead and tough decisions to be made that will prove challenging to political management and ongoing stability.
- New political management arrangements provide a foundation for improved governance. The council needs to ensure councillors and officers have a shared understanding in practice about the roles and responsibilities as well as effective links within and across the new arrangements to ensure they meet their potential.

- Scrutiny still needs to improve. In particular, the council needs the commitment and engagement of councillors in the work of the Performance Review and Scrutiny Committee and the Audit Committee, if these are to make an effective contribution to governance and accountability. The role of senior management will also be crucial.

34. The follow-up audit report was considered by the Accounts Commission at its meeting on 19 June 2014. The Commission accepted the Controller of Audit's report and noted that it is encouraged the council is making progress against its previous findings of October 2013. The Commission also agreed that it is too early to assess the effectiveness of actions and plans being implemented and concluded that there is still much work to be done by the council to secure the improvements that were required in October 2013.

35. The Commission therefore requires the Controller of Audit to report on progress by the end of 2015, with particular focus on the effectiveness of the following:

- Political management arrangements.
- Scrutiny.
- Roles and relationships, including between members and officers

36. At its meeting on 25 September 2014, the council agreed a further 10 actions points as a consequence of the follow-up

report in order to support continued improvement.

### **Arrangements for securing Best Value**

37. The Corporate Improvement Plan sets out the council's planned activity to improve service delivery and how the council works. It aims to drive out financial efficiencies to meet future budgetary constraints.
38. The Planning and Performance Management Framework (PPMF) remains a core component of the improvement process for the council, to help ensure delivery of the Corporate Improvement Plan. The Framework is designed to draw together improvement activities within the council to ensure that improvement is taking place in a coordinated manner.
39. At its meeting in November 2013, the Performance Review and Scrutiny Committee (PRSC) noted the results of a review of the Corporate Improvement Plan. The review identified that five of the original 12 projects (including Employee and Elected Member Development and Health and Social Care Integration) had now either come to a conclusion or will be monitored outwith the Corporate Improvement Board. The review also identified that the Productivity and Service Improvement Project will be split into four parts with the PPMF and Public Service Improvement Framework being monitored through the Strategic Management Team. Remaining within the Corporate Improvement Plan are Service Prioritisation and Business Process Re-engineering.

40. An update report submitted to the PRSC in May 2014 records that the Corporate Improvement Programme is making good progress against its targets. Of the seven projects in the programme, all are reported to be on track and green.

41. A review of the council's Planning and Performance Management Framework is currently ongoing and will be presented to the PRSC in November 2014.

### **Use of resources**

42. The council continues to identify savings through workforce management, asset management and procurement. In 2013 the council achieved a procurement capability assessment (PCA) score of 63%, which is classed as Level 2 'improved performance status' and demonstrates a further improvement on the 2012 score of 53%.

### **Performance management**

43. In 2012 the council established the Performance Review and Scrutiny Committee (PRSC), which is chaired independently. It met for the first time in February 2013 and meets quarterly. It reviews and scrutinises council performance with a structured agenda including quarterly and annual performance reports on service performance, financial performance, improvement and particular areas of strategic interest such as attendance management.



## Best value, use of resources and performance

44. The council uses a performance management software system (Pyramid) to record performance information and generate performance scorecards. The PPMF sets out the structure and content of scorecards. The system includes council, department, service, thematic and area scorecards to provide the key management information required at all levels in the organisation and to measure achievement of Corporate Plan and Single Outcome Agreement deliverables.
45. Quarterly performance reports including council and departmental scorecards are presented to the PRSC. The reports outline performance during the period including a review of successes, key challenges and improvement actions for the coming period. Service annual performance reviews for all twelve services are also presented to the PRSC. These include key successes, key challenges and key improvement actions to address the challenges. An Annual Report is also produced as part of the public performance reporting strategy.
46. In a report to the August 2014 PRSC meeting, the Executive Director, Customer Services reported that: “Argyll and Bute Council has a well-established performance management process, underpinned by the Planning and Performance Management Framework. The process of political scrutiny of performance and decision making is less well established”.
47. As a result, a number of measures are currently being introduced to improve member scrutiny of performance. In particular, from Quarter 1 2014/15, the new Strategic Service

Committees carry out review and scrutiny of departmental performance on a quarterly basis. Members will also continue to scrutinise performance for their specific local area at each of the four Area Committees on a quarterly basis.

48. An annual report on performance management processes and procedures is currently being developed. This will be presented to the PRSC in November 2014 as part of the PPMF review.

## Single Outcome Agreement

49. The SOA 2013-14 annual report details annual performance for 2013-14 by Community Planning Partners (CPP) against measures in the Argyll and Bute SOA 2012-13.
50. The overall reported performance in 2013/14 indicates that of the 105 measures 87.6% were green and 12.4% were red, highlighting an improvement in performance from 2012-13 (80.3% green and 19.7% red).
51. All CPPs in Scotland produced revised Single Outcome Agreements in 2013 based on guidance issued by the Scottish Government. These are ten year plans from 2013 to 2023. The main planned outcome in the SOA for Argyll and Bute is that “Argyll and Bute’s economic success is built on a growing population”. The 6 long term outcomes are:
- The economy is diverse and thriving.
  - We have an infrastructure that supports sustainable growth.

## Best value, use of resources and performance

- Education, skills and training maximises opportunities for all.
  - Children and young people have the best possible start.
  - People live active, healthier and independent lives.
  - People live in safer and stronger communities.
52. These six outcomes address the six national policy priorities that were set out in the national guidance on community planning.
53. Argyll and Bute CPP has developed a set of six Delivery Plans linked to each of the long-term outcomes within its SOA. These Delivery Plans identify short term outcomes for the ambition of the SOA and set out the way in which partners will action and monitor progress.
54. At its meeting in June 2014, the Council endorsed the delivery plans for the Single Outcome Agreement and agreed that they be submitted to the Scottish Government.

## Overview of performance targets in 2013/14

55. As outlined at paragraph 44, performance is monitored via scorecards which report progress against a number of agreed success measures.
56. There are 299 success measures which were monitored through service scorecards in 2013-14. These were analysed for 2013/14 to show progress against target. The analysis

showed a slight overall improvement over the 2012/13 position with 78% of indicators meeting or exceeding target and 22% adrift of target (77% of indicators meeting or exceeding target and 23% adrift of target for 2012/13).

57. Of 102 Service improvement actions, 98 (96%) are reported as on track or complete at the end of the year.

## Statutory performance indicators

58. The Accounts Commission has a statutory power to define performance information that councils must publish locally and it does this through its annual Statutory Performance Information Direction. Since its 2008 Direction, the Accounts Commission has moved away from specifying individual indicators and has focused on public performance reporting and councils' requirement to take responsibility for the performance information they report.
59. The audit of Statutory Performance Indicators in 2013/14 is a two stage process. The first stage requires auditors to ascertain and appraise councils' arrangements for public performance reporting and the completion of the Local Government Benchmarking Framework indicators. This focuses on three statutory performance indicators (SPIs) namely:
- SPI 1: covers a range of information relating to areas of corporate management such as employees, assets and equalities and diversity

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- SPI 2: covers a range of information relating to service performance
  - SPI 3: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.
60. The second stage involves an assessment of the quality of the information being reported by the council to the public. An evaluation of all Scottish Local Authorities' approaches to public performance reporting (PPR) has been carried out by Audit Scotland's Performance Audit and Best Value section, the results of which were reported to the Accounts Commission in June 2014.
61. Individual assessments were also reported to councils' Chief Executives, Leaders and Chairs of Audit Committees. These highlighted the extent to which their PPR material either fully, partially or did not meet the criteria used in the evaluation. The results for Argyll and Bute were mixed, with 43% fully, 48% partially and 10% not meeting the criteria. A further evaluation of councils' approaches to PPR is due to be carried out in spring 2015.

## Local performance audit reports

62. In 2013/14 we carried out two targeted follow-up audits to assess progress in areas that had been reported nationally by Audit Scotland, namely:

- Arm's-length external organisations (ALEOs)
- Major capital investment in councils.

63. **Arm's-length External Organisation (ALEOs):** This was a targeted follow-up study carried out across all local authorities in Scotland. A key aim of the study was to provide the Accounts Commission with a position statement on councils' use of ALEOs and, on progress since the *'Arms-length External Organisations: Are you getting it right'* report published in 2011.
64. We concluded that the council does not have any ALEOs and accordingly no further work was required.
65. **Major capital investment in councils:** Audit Scotland's national report on *Major capital investments in councils* published in March 2013 assessed how well councils direct, manage and deliver capital investments. The report focused on major capital projects i.e. those with an individual value exceeding £5 million. Local follow-up audits were carried out at all 32 councils in Scotland.
66. In Argyll and Bute, we concluded that the council has made good progress in addressing relevant recommendations made in the report. The council's three year Capital Programme (2014/15 – 2016/17) generally meets the key features of good practice outlined in Audit Scotland's report.

## National performance audit reports

67. The council has adequate arrangements for the consideration

## Best value, use of resources and performance

of national performance audit reports.

68. A summary of national performance audit reports, along with local audit reports, is included in Appendices I and II.

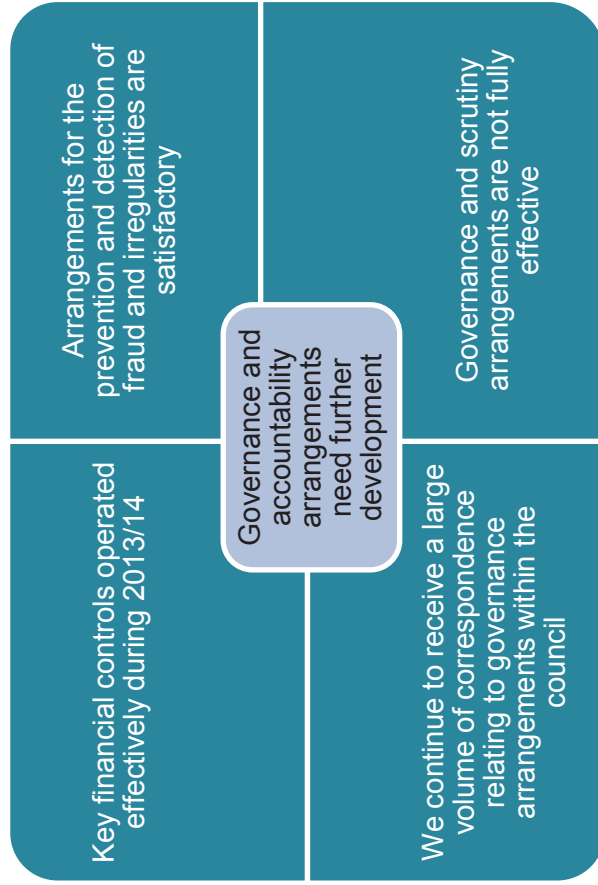
## Outlook

69. In common with other councils, Argyll and Bute Council faces the key challenges of reducing budgets, an ageing population and public expectations of high quality services. Savings have been made in recent years largely by reductions in the workforce. However as choices on how to address funding gaps becomes increasing difficult, councils will have to focus on making the very best use of all available resources and to challenge existing ways of doing things. An effective Best Value framework, alongside strong and effective performance management will be critical to the success of the council achieving its key priorities.

adequacy and effectiveness of these arrangements.

### Corporate governance

## Governance and accountability



71. At its meeting in January 2014, the council agreed to move forward with a new committee structure recommended by the short life working group on political management arrangements. The first meetings under this new structure commenced in May 2014.

72. The corporate governance framework within Argyll and Bute Council is centred on the council supported by the following committees.

- Policy and Resources Committee
- Community Services Committee
- Environment, Development and Infrastructure Committee
- Audit Committee
- Performance Review and Scrutiny Committee

73. The effectiveness of the new committee structure was considered as part of the follow-up audit work to the statutory report presented to the Accounts Commission in October 2013. The results of the follow-up audit work are recorded at paras 32 to 35.

70. Members of the council and the Proper Officer are responsible for establishing arrangements for ensuring the proper conduct of the affairs Argyll and Bute Council and for monitoring the

74. The follow-up work reported that scrutiny still needs to improve. In particular, the council needs the commitment and engagement of councillors in the work of the Performance Review and Scrutiny Committee and the Audit Committee, if these are to make an effective contribution to governance and accountability. The role of senior management will also be crucial. The Audit Committee is currently carrying out a review of its effectiveness. We will review the conclusions reported.

75. Following a number of recent changes to the political composition of the council, the Executive Director of Customer Services presented a report to the council at its meeting of 25 September 2014 which records that 24 councillors (out of 36) now constitute the Administration of the council. The Administration consists of the members of the Argyll and Bute for Change Alliance in partnership with the members of the Argyll, Lomond and the Isles Group (TALIG).

### Internal audit

76. Internal audit provides members of the council and the Proper Officer with independent assurance on the overall risk management, internal control and corporate governance processes. Following the retirement of the Chief Internal Auditor the council is recruiting a replacement.

77. In 2013/14 internal audit commenced a 3 year partnership

contract with Grant Thornton and CIPFA to provide the council with high level support on development of the internal audit function. Our review of internal audit concluded that overall the internal audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. We placed formal reliance on the work of internal audit in several accounting systems as detailed within our Annual Audit Plan.

### Internal control

78. As part of our audit we reviewed the high level controls in a number of the council's systems that impact on the financial statements. This audit work covered payroll and trade payables. We also relied on previous years' audit work in relation to trade receivables, general ledger, council tax billing and collecting, non-domestic rates billing and collection, capital accounting, treasury management and cash & cash equivalents.

79. Our overall conclusion was that key controls within the council's main financial systems were operating satisfactorily during 2013/14 and no significant risks were identified. However during the year we carried out some targeted audit work on council activities where weaknesses in local governance arrangements were identified. We asked that the council revise the 2013/14 Corporate Governance Statement to include

these issues. The process for ensuring the 2014/15 governance statement is complete is to be reviewed.

### **Recommendation 1**

- 80.** A common theme of correspondence received by Audit Scotland is that people would like to see more information on key issues being discussed by the council in public. The council has a process in place, for considering which reports are to be discussed in private, due to inclusion of commercially sensitive information and other valid reasons. However the council should consider whether it is getting the balance right, in this area.

### **Recommendation 2**

#### **Governance issues reported**

- 81.** In September we reported to the Audit Committee on the findings from two pieces of audit work where weaknesses in governance arrangements were identified.

#### **Helensburgh Redevelopment Project**

- 82.** The Helensburgh CHORD Project is designed for the regeneration and economic development of Helensburgh Town Centre and West Bay Esplanade. Due to the profile of the CHORD project in the community and receipt of correspondence from members of the public, we carried out some targeted audit work reviewing the council's governance over the redevelopment project. In conclusion we reported that

elected members form the Helensburgh and Lomond Area Committee have overseen the redevelopment project. They have been involved in making decisions at key stages of the project.

- 83.** The original target completion date for the Helensburgh redevelopment contract was May 2013. The original budget was £6.660 million. The latest target date for completion is April 2015. Delays in completion became inevitable due to the contract being retendered twice. The first retendering was due to poor procurement practices and the second retendering of the contract was approved by the council with an aim of better reflecting the views of the community. A consequence of both these retendering exercises was delays and increased costs. Having said that the project is currently within its revised budget figure of £7.330 million. Delays to the project were not solely due to the procurement processes but also due to a range of issues including failures on the part of the contractor and ground conditions.

- 84.** The council has acknowledged that project governance arrangements needed to be improved and that the project has not progressed as planned. The council is to continue to review the effectiveness of its revised arrangements over similar projects. The council is also to complete its planned post implementation review to report on whether the objectives of the Helensburgh project have been realised.

### **Recommendation 3**

### Scottish Submarine Museum

85. Following receipt of correspondence to Audit Scotland, we carried out some targeted audit work on the governance arrangements over the council's involvement with the proposed Scottish Submarine Museum in Helensburgh.
86. The council is of the opinion that this proposal has the potential to add a significant new visitor attraction to Helensburgh and support the investment made in the town through CHORD and proposed future works such as the regeneration of the Pier.
87. In February 2014, as part of the 2014/15 budget approval discussions the council made provision for £140,000 funding to the Scottish Submarine Trust to support the opening of a Scottish Submarine Museum in Helensburgh. The funding request from an external organisation was included as a 'Cost and Demand Pressure.' The Council approved release of these funds at its meeting in March based on a supplementary report 'Scottish Submarine Museum-Evaluation of Funding Request'.
88. In the March report, senior officers acknowledged that the council did not follow its own procedures in considering the submarine museum funding request, from an external organisation.
89. In response to concerns raised by members regarding the evaluation of this funding request, officers presented a supplementary report to the council meeting in March. Members agreed that a number of additional conditions would

need to be satisfied prior to any release of the funding, in three tranches.

90. The Head of Strategic Finance has confirmed that the evidence has now been reviewed, required to satisfy the conditions set by the council for the release of the first funding instalment of £50,000.
91. The funding for the museum was approved to facilitate early release of the funds so that the museum could be opened to coincide with the Commonwealth Games. However the museum was not opened at all during the period of the games and it is still not open to visitors. Accordingly there is a risk that it may not attract the visitor number required for it to be sustainable.
92. The council recognise this risk and have recently received a revised business plan incorporating revised visitor expectations. Based on this revised business plan, officers have taken the decision to release the first tranche of funding.
93. Following discussion of our findings in relation to this funding request, the council agrees that there needs to be a more formalised process for considering external funding requests.

### Recommendation 4

## Gourock to Kilcreggan Ferry Service

94. Following receipt of correspondence to Audit Scotland, we carried out some targeted audit work on the governance



arrangements in place relating to the Kilcreggan Ferry service.

- 95.** The Gourrock to Kilcreggan ferry service is operated by Clydelink Ltd behalf of Strathclyde Partnership for Transport (SPT). Officers acknowledge that from the start of the ferry contract in April 2012, no controls existed to ensure that all monies due to the council for pier dues at Kilcreggan Pier were paid.
- 96.** An internal audit Review of Fish Landing Dues & Other Harbour Income in November 2011 also identified significant weaknesses in the procedures for collecting berthing or landing fees at the council's harbours and piers. The resultant recommendation to implement a register of berthing at each port is recorded as complete as at 30 November 2012. However we have identified that improved procedures for the collection of fees were not introduced at Kilcreggan Pier until August 2013.
- 97.** The time taken to implement improved procedures arising from the internal audit review is outwith the timetable agreed with the Audit Committee.
- 98.** Our review also established that as a result of late payment, most invoices issued to Clydelink for berthing dues have been subject to follow up action through the corporate sundry debtor process. The current position is that the last 3 invoices issued to Clydelink remain unpaid and discussions are ongoing with SPT. One solution may be for the council to get a signed

agreement from Clydelink, enabling SPT to pay monies due directly to the council. This course of action should be considered by the council.

### **Recommendation 5**

- 99.** A Clyde boatyard company related to Clydelink, Silvers Marine (UK) Ltd, ceased trading on 29 October 2012 and the business was taken over by GRM Marine Ltd. However the council's Non Domestic Rates section were unaware of any changes to liability in relation to Silvers Marine (UK) Ltd until 25 Sept 2013. As a result, 2012/13 and 2013/14 NDR Initial Notices were not issued to GRM Marine Ltd until 10 October 2013.
- 100.** GRM Marine Ltd was placed in provisional liquidation on 6 February 2014. At that date, all NDR debt relating to 2012/13 and 2013/14 remained outstanding. We consider that where there is a known potential risk of insolvency, the Non Domestic Rates section should actively seek information changes to relevant company details or status (which are recorded at Companies House). This would have allowed earlier issue of the Initial NDR notices for 2012/13 and 2013/14 to GRM Marine Ltd and the initiation of earlier follow-up action.

### **Rockfield Primary School**

- 101.** As a result of local interest in the sale of the former Rockfield Primary School in Oban, we have included an update on the current position in relation to the sale.

## Governance and accountability

- 102.** The property is a listed building and has been for sale by the council for a number of years (marketed on the basis of retention and redevelopment only). At its meeting on 24 January 2013 the council approved a recommendation to fund a feasibility study by Argyll Community Housing Association (ACHA) from the Strategic Housing Fund to examine possible development options covering retention and conversion of the school building and also demolition and new build on the site. Our work concluded that utilisation of the fund for a feasibility study to explore the development of a site for affordable housing is a legitimate use of these resources.
- 103.** At its meeting on 11 June 2014, Oban, Lorn & the Isles Area Committee (OLIAC) agreed to recommend to the council the sale of the property to ACHA for the sum of £1 on the basis of a new build development of thirty seven dwellings. However prior to the meeting of the Council on 26 June 2014 a new offer to purchase Rockfield was received and the Council agreed that in light of the new information, a closing date be set for offers to be reported back to the next OLIAC.
- 104.** The property was re-advertised for sale and by the closing date of 8 August 2014, a number of offers had been received. These were considered by OLIAC in private session at its meeting on 14 August 2014. The Committee agreed to continue consideration of this matter to a Special Area Committee held on Wednesday 10 September 2014.
- 105.** The current position is that at the September meeting, a

preferred bidder was agreed, with sale of the property conditional on further information being provided to the Area Committee by the end of December 2014. We will continue to monitor the sale of this property.

## Follow up on the Sale of Castle Toward

- 106.** Our Annual Report on the 2012/13 Audit reported on the council's sale of Castle Toward. At that time we reported on an informal expression of interest from the South Cowal Community Development Company (SCCDC) in relation to a potential registration of a community interest and/or buy out of Castle Toward in terms of the Land Reform (Scotland) Act 2003.
- 107.** Since then SCCDC formally submitted a Community Right to Buy application to Scottish Ministers in March 2014 in respect of Castle Toward which was subsequently approved. The Scottish Government appointed the District Valuer to assess the market value of the property who returned a property valuation of £1.75 million.
- 108.** At its meeting of 26 June 2014 the Council was advised that SCCDC had lodged a formal appeal to the District Valuer's valuation. As a result of the appeal the Council were advised that the date by which SCCDC has to complete the sale and take possession had been extended by an extra 2 months until 5 November 2014.

- 109.** To support the acquisition, SCCDC have been awarded a grant of £0.750 million from the Scottish Land Fund. A request for the Council to consider applying a discount to the valuation provided by the District Valuer has also been made by SCCDC.
- 110.** At its meeting on 21 August 2014, the Policy and Resources Committee agreed to extend the Right to Buy deadline for the conclusion of the purchase of the Castle Toward estate until 31st December 2014 in order to allow the matter to be considered further. We will continue to monitor the sale of this property.

### Lease Agreements for Council Properties

- 111.** In 2012/13 we reported that the council planned to undertake a review to confirm that all properties leased to or occupied under license by outside parties are covered by valid legal agreements. This was to ensure that all parties have clarity over maintenance and occupancy responsibilities. Internal Audit has reported that this review has been completed. **Bruce can you please confirm were any new legal agreements signed as a result of this work ?**

### ICT audit

- 112.** For the first time in 2012/13, councils had to apply to connect to the Public Services Network (PSN) to allow the sharing of electronic data with other public bodies, such as the

Department of Works and Pensions. This entailed complying with the strict security measures of the PSN Code of Connection which, if fully met, resulted in the issue of a compliance certificate. The application and approval process is subject to annual review and could result in a disruption to operations and service delivery if there were any non compliance issues.

- 113.** The council carried out a substantial programme of work in 2013/14 (approximately £0.230 million including staff costs) to bring its network into a position of compliance with the PSN security requirements and thereby achieve unconditional PSN accreditation. This required investment in new hardware and software as well as diverting staff resources from planned tasks.
- 114.** Investment is being sustained with a budget of £0.133 million earmarked for PSN activity in 2014/15 to maintain a compliance standard. Changes to work practices such as the introduction of a more rigorous software patching / upgrade regime is impacting upon workload and has increased out of hours working for support staff. Also, to maintain a risk profile in line with accreditation standards, work was needed to harden the interface between the education service network and the corporate network.
- 115.** Looking forward, health and social care integration is likely to create new challenges relating to PSN requirements particularly if the NHS continues to be outwith the PSN compliance

framework. We will continue to monitor developments in this area.

### **Arrangements for the prevention and detection of fraud**

116. The council's arrangements in relation to the prevention and detection of fraud and irregularities were satisfactory.
117. Argyll and Bute Council participates in the National Fraud Initiative (NFI). The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error.
118. The Council input to the NFI exercise is largely complete with only a few areas still to be finalised or further investigated. Housing benefit match testing identified 3 cases where fraud had already been uncovered by the fraud department. These amounted to £24,316. These cases have been referred to the Procurator Fiscal.
119. Overall, we concluded that the council has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

### **Arrangements for maintaining standards of conduct and the prevention and detection of corruption**

120. The arrangements for the prevention and detection of corruption in Argyll and Bute Council are satisfactory and we are not aware of any specific issues that we need to record in this report.

### **Integration of adult health and social care**

121. The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in Scotland. This will require a change in the council's governance arrangements over a range of services.
122. NHS Highland and Argyll and Bute Council have agreed the services that will come together as Argyll and Bute's Health and Social Care Partnership. The chosen model is that of an enhanced strategic partnership building on the current partnership strengths – this aligns with a “body corporate” model as the preferred delivery vehicle.
123. From 1 April 2015 all NHS services in Argyll and Bute (planning, delivery and commissioned services), and Adult and Children and Families Social Work Services of Argyll and Bute Council will deliver a single, integrated service. The proposed budget for the new Health and Social Care Partnership

includes around £160 million Health Board and £50 million council funding. The scope of services was agreed by NHS Highland Board on 3 June and by the council at its meeting on 26 June.

124. Integration will be complex and challenging to ensure that integration is delivered within the required timescales and that the arrangements are functional and fit for purpose. This will require:

- The establishment of a local integrated partnership and related governance arrangements.
- Integrated budgets for health and social care.
- Joint responsibility for strategic and locality planning in the area served.

125. It is important, therefore, that the council continues to monitor progress in this area.

## Welfare Reform

126. The council recognises the impact that the changes to the UK welfare system could have on resources and service provision. 2013/14 was a period of significant change with council tax benefits being replaced by the new Council Tax Reduction Scheme and the introduction of the Scottish Welfare Fund. Councils continue to face uncertainties over the roll out of the Universal Credit and there is the potential for even further reforms after the Scottish independence referendum.

127. Throughout 2013/14 the council's multi discipline Welfare Reform Working Group (WRWG) has provided regular updates to Strategic Management Team (SMT) on progress in respect of the council's delivery of DHP and Scottish Welfare Fund (SWF) services.

128. The council is in communication with the DWP to become a pilot site for the delivery of a 'triage' service which provides support, training, work preparation and job opportunities to help people in receipt of benefits back to work.

129. Overall, we concluded that Argyll and Bute council is well sighted on the welfare reform agenda and is proactive in putting in place arrangements to mitigate the impact of welfare reform locally.

## Housing and council tax benefits performance audit

130. A risk assessment of the council's housing benefit service was carried out by Audit Scotland in May 2014 with the results reported in July 2014. The report noted significant changes and improvements since our last risk assessment in June 2011. Of the original 17 risks identified in 2011 some 13 have been fully completed, 2 actions are ongoing and 2 actions remain outstanding.

131. In completing or partially completing 15 of these risks, the council has made a positive contribution to the delivery of the

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benefit service.

- 132.** Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefits service, there are two risks outstanding and two risks where action is ongoing from our previous risk assessment and, a number of new risks have been identified. The new risks include:
- updating key council documents to ensure that they reflect current policy and procedures
  - ensuring that appropriate evidence is requested by staff at the first point of contact to enable claims to be processed
  - addressing the reasons why the council has failed to meet its financial accuracy target of 95% since 2010/11
  - determining the effectiveness of the approach for linking intervention outcomes to the value of overpayment/underpayment to inform future intervention strategies
  - addressing the reasons for the declining trend in the percentage of sanctions arising from completed investigations.

- 133.** Management have agreed an action plan to address these issues and these will be followed-up a future date to confirm implementation.

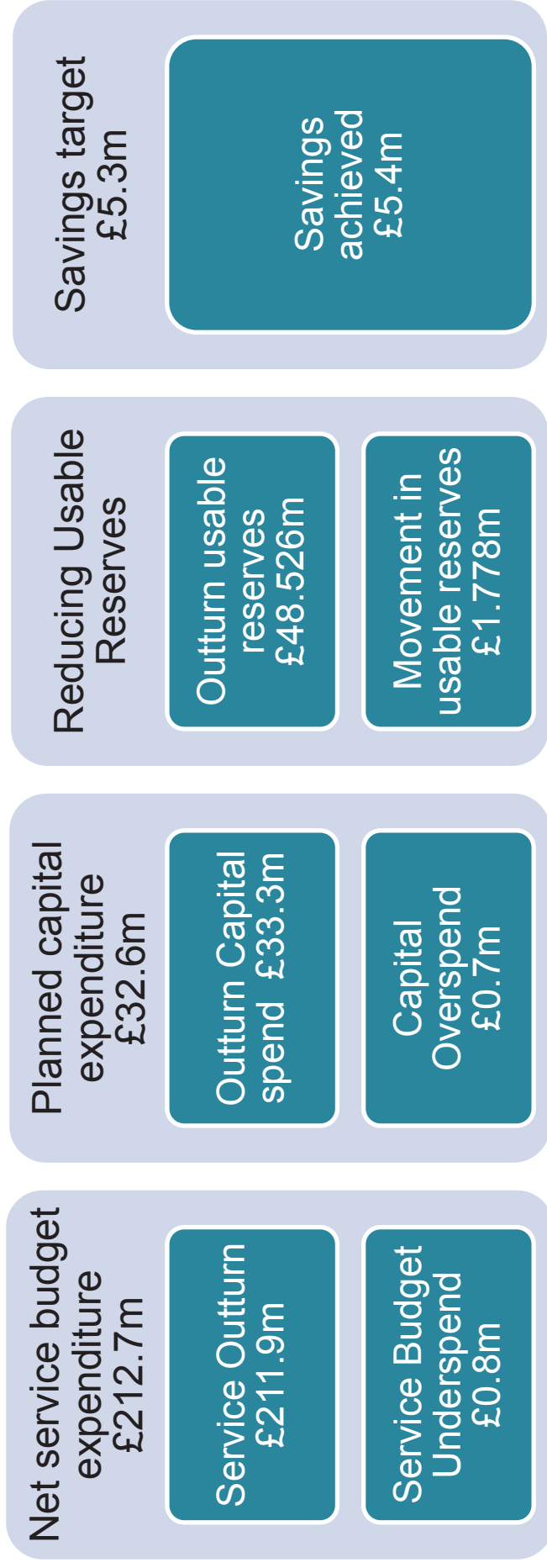
## Outlook

- 134.** Councils continue to face rising demands for services

alongside managing major reforms in welfare and health and social care. There is now a greater need than ever for strong governance and leadership. Improved scrutiny of policy and services will also be central to ensuring the effective use of resources

- 135.** Relating to specific service areas, there are to be major changes in councils' responsibilities for the investigation of fraud. The new Single Fraud Investigation Service (SFIS) is a national fraud investigation service within the Department for Works and Pensions which will take over the responsibility for the investigation of housing benefit frauds. The investigation of the Local Council Tax Reduction Scheme and corporate frauds will remain within councils.
- 136.** Responsibility for the investigation of Housing Benefit fraud is currently being planned to transfer to a new Fraud and Error Service (FES) nationally. This will be administered by the Department of Work and Pensions. The roll-out of this new service will be implemented across councils on a phased basis during the period July 2014 and March 2016.

# Financial position



137. In 2013/14 the council spent £256.765 million on the provision of public services. It achieved a surplus on the provision of services of £1.694 million and an accounting deficit of £5.917 million. However, this includes certain elements of income and expenditure that are accounted for to comply with the Code of Practice on Local Authority Accounting, which are then adjusted to show their impact on statutory council reserves. Following these adjustments there is a decrease in the general

fund balance of £2.097 million.

138. Overall the performance against budget was an underspend of £3.360 million, representing 1.33% of net service expenditure. The council underspent against its departmental controllable budget by £0.842 million (0.40% of the 2013/14 revenue budget).

139. Usable reserves are part of a council's strategic financial

**Financial position**

management and councils will often have target levels of reserves. As shown in Exhibit 1, the overall level of usable reserves held by the council decreased by £1.778 million compared to the previous year and totalled £48.526 million. The main reason for this is a decrease in the General Fund balance of £2.097 million.

**Exhibit 1: Usable reserves**

Description	31 March 2013 £million	31 March 2014 £million
General Fund	46.1	44.0
Capital Funds	3.3	3.5
Repair and Renewal Fund	0.9	1.0
<b>Total Usable Reserves</b>	<b>50.3</b>	<b>48.5</b>

Source: Argyll and Bute Council 2013/14 financial statements

140. The closing balance General Fund balance at 31 March 2014 is made up of earmarked commitments of £30.372 million and an unallocated balance of £13.669 million, or 5.6% of the net revenue expenditure (2012/13: 4.1%). The council's policy is to maintain uncommitted reserves at a minimum of 1.5% of budgeted net revenue expenditure.

141. The main earmarked balances include £7.484 million for the Strategic Housing Fund generated from Council Tax on second homes, £3.0 million earmarked as a revenue contribution to

capital as a contribution to Dunoon and Campbeltown Schools, £9.5 million contribution to investment in affordable housing and £7.298 million earmarked from service budget underspends to support corporate and service improvement plans.

142. Whilst the balance on the General Fund is reducing, it remains significant and in terms of uncommitted reserves, is considerably in excess of the minimum target set by the council. The budgetary outlook is one of significant longer term savings. In his Revenue Budget Outlook Report submitted to the Council in February 2014, the Head of Strategic Finance informed members that they may wish to consider how best to utilise the General Fund Balance in due course given the various financial pressures the Council faces and any cost and investment requirements arising from the development of the delivery plans for the SOA.

143. The use of the 'free' balance on the General Fund Reserve was considered by the Policy and Resources Committee at its August 2014 meeting. The Committee agreed that use of the free balance on the general fund be directed exclusively to the theme of economy and jobs and proposals to increase income / reduce costs for the Council. The committee also agreed that further investigation be carried out on the scope to undertake further borrowing which would create further investment in the these areas but which would not result in a net increase in the burden on the council's revenue budget.

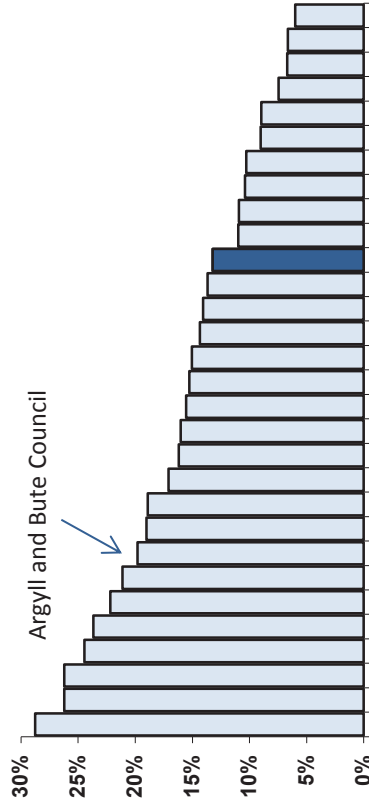


## Financial position

144. Exhibit 2 below presents the council's usable reserves position in relation to net revenue stream for the year in comparison to other Scottish councils (net revenue stream being presented as general revenue grant, council tax, non domestic rates and dwelling rents). Argyll and Bute Council's position is higher than the median level (15%).

145. The council therefore needs to continue to ensure that it strikes a balance between meeting current obligations and preparing for future commitments and possible reductions in funding. This is discussed further at paragraphs 152 to 156 below.

### Exhibit 2: Total usable reserves as a proportion of net revenue stream (%)



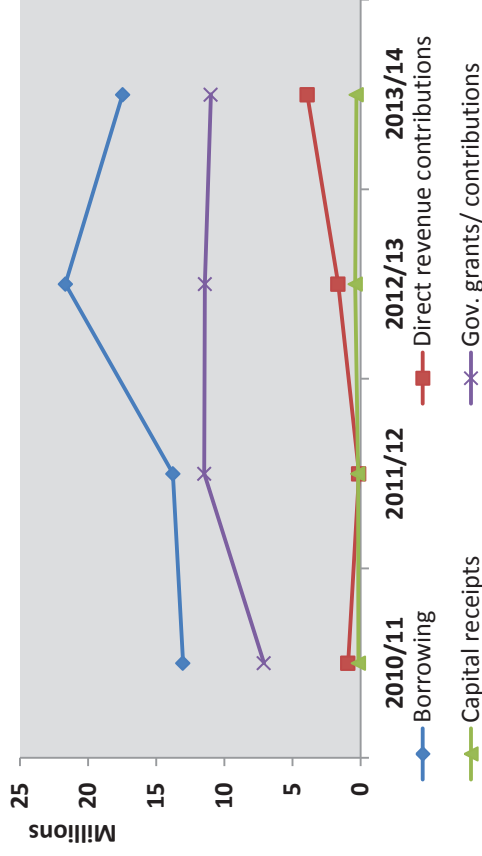
Source: Scottish councils' unaudited accounts 2013/14

## Capital investment and performance 2013/14

146. Total capital expenditure for 2013/14 was £33.285 million. Investment during the year included £20.073 million on asset sustainability, £3.575 million on service development and £9.637 million on strategic change. The capital programme was funded as shown at Exhibit 3 below:

147. The council has reported an overspend against the planned level of capital expenditure of £0.697 million or 2.1% of the total programme for 2013/14.

### Exhibit 3: Sources of finance for capital expenditure 2010/11 – 2013/14



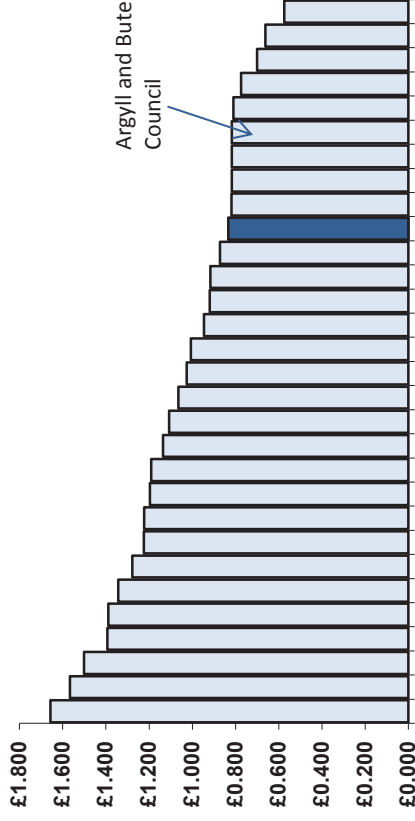
Source: Argyll and Bute Council 2010/11 to 2013/14 financial statements

## Financial position

### Treasury Management

148. High levels of debt may reduce a council's budget flexibility going forward as revenue resource has to be set-aside to service that debt. The impact that debt levels have on net revenue expenditure will be affected by interest rates and repayment periods.
149. In the current financial climate, many councils have relatively high levels of internal borrowing, utilising available cash balances and deferring external borrowing. Argyll and Bute Council's underlying need to borrow or capital financing requirement (CFR) at 31 March 2014 was £256.463 million while net external borrowing was £0.213 million higher at £161.181 million.
150. As shown at Exhibit 3, capital spend in the year was mainly funded through borrowing. The council's level of net borrowing in 2013/14 has increased marginally. As shown in Exhibit 4, the council's net external debt as a proportion of net revenue stream continues to remain in the lower range relative to other Scottish councils.

**Exhibit 4: Net external debt as a proportion of net revenue stream (£m)**



Source: *Scottish councils' unaudited accounts 2013/14*

151. Audit Scotland has, on behalf of the Accounts Commission, recently completed a national review of borrowing and treasury management in councils. This involved discussions with members and officers as well as audit visits to a number of selected fieldwork councils. The review focused on the affordability and sustainability of borrowing and governance arrangements and considered how councils demonstrate best value in their treasury management functions. The national report is planned for publication in January 2015. We will provide members with a summary of the key findings as part of our audit progress reports to Audit Committee.

## Outlook

152. The political leadership has focussed on maintaining financial stability. At its February 2014 meeting, the council approved its budget for 2014/15 in accordance with its new budget approach, agreed in November 2013. The new approach aims to maintain stability and to preserve services where possible by seeking one per cent savings (£1.8 million) across all service areas in 2014/15 and 2015/16, from a total annual revenue budget of £245 million. At the time of approving the budget for 2014/15, there was a projected funding surplus of £1.02 million in 2014/15 and £3.1 million in 2015/16.

153. The latest projected year end outturn at 30 June 2014 is an underspend of £0.158 million. This is mainly due to overspends arising on refuse collection in come and coastal protection works offset by savings in school and public transport.

154. A report presented to the Policy and Resources Committee in August 2014 updated members on changes to the budget assumptions used when preparing the 2015-16 budget and providing an assessment of the impact. The main change is the reduction in grant funding of £2.557 million due to updating the finance settlement indicators rather than the flat cash approach. In addition there have been adjustments to the base

budget of £0.149 million. The overall impact is a reduction in the projected surplus for 2015-16 to £1.415 million.

155. The longer-term budgetary outlook is more challenging. The council estimates it will require to reduce expenditure over the period 2016/17 to 2019/20 by an average of around three per cent or £8 million per annum, building up to £28.565 million in 2019/20. This equates to approximately £77 million in total over the four-year period. This is around 7.5 per cent less across those years than the £1.033 billion expenditure currently forecast by the council. Achieving these savings will require fundamental decisions to be made by councillors about service provision and delivery.

156. The council plans to use the two-year period of financial stability (2014/15 and 2015/16) to develop and put in place proposals to address the longer-term funding outlook and to consider how resources are aligned to the Single Outcome Agreement (SOA) 2013-23 and council priorities, future savings and options for additional income.

### *Recommendation 6*

# Financial statements

## Audit opinion

157. We have given an unqualified opinion that the financial statements of Argyll and Bute Council for 2013/14 give a true and fair view of the state of the affairs of the council and its group as at 31 March and of the income and expenditure for the year then ended.

## Other information published with the financial statements

158. Auditors review and report on other information published with the financial statements, including the explanatory foreword, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.

## Legality

159. Through our planned audit work we consider the legality of the council's financial transactions. This includes obtaining written assurances from the Proper Officer. There are no legality issues arising from our audit which require to be reported.

## The audit of charities financial statements

160. The Charities Accounts (Scotland) Regulations 2006 (the 2006

Regulations) sets out the accounting and auditing rules for Scottish charities. These required, for the first time in 2013/14, a full audit of all registered charities accounts where a local authority or some members are the sole trustees.

161. Argyll and Bute Council had 11 funds which were subject to the full charities financial statements audit for 2013/14.

162. Auditors of registered charities' statement of accounts have responsibilities to:

- audit and express an opinion on whether the charity's financial statements give a true and fair view and are properly prepared in accordance with charities legislation
- read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements
- report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator (OSCR).

163. We have given an unqualified opinion on these matters with respect to the 2013/14 financial statements of the eleven charities registered by Argyll and Bute Council.

164. In our report to trustees we highlighted that:

- There are no trust deeds or governing documents available for two of the Trusts and three of the component Trusts within Argyll and Bute Council Charitable Trusts.
- Eight of the Trusts remained dormant, with no donations, expenditure or payment of grants.

## Financial statements

- The council were unable to locate certificates in support of investments held by three of the Trusts.
  - The Oban Swimming Pool (Atlantis Leisure) asset was revalued during the year but the revaluation was not reflected in the financial statements.
165. In resolution of these issues:
- The council is to provide a copy of relevant documentation, to support the purpose and terms of all Trusts. If unable to be traced, the trustees should liaise with OSCR, as appropriate, and consider preparing new governance documents.
  - The council is in discussion with OSCR to progress reorganisation proposals to wind up dormant trusts and redistribute the funds.
  - The council has written to stock investor intermediaries to request duplicate investment certificate.
  - The revalued asset figure for Oban Swimming Pool is disclosed in the financial statements.

## Group accounts

166. Local authorities are required to prepare group accounts in addition to their own council's accounts where they have a material interest in other organisations.
167. Argyll and Bute Council has accounted for the financial results of three associates and the Common Good Funds in its group

accounts for 2013/14. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £7.562 million.

168. The net assets of the group at 31 March 2014 totalled £182.387 million, compared to a net liability position of £77.873 million in 2012/13. The positive movement is mainly due to the transfer of Police and Fire functions to the new authorities from 1 April 2013 and the removal of their pension liabilities from the group accounts.

## Accounting issues arising

### *Presentational and monetary adjustments*

169. A number of presentational and monetary adjustments were identified in the financial statements during the course of our audit. These were discussed with management who agreed to amend the unaudited financial statements. The effect of these adjustments was to increase expenditure and decrease net assets by £0.500 million. These related to an increase in the Equal Pay provision and the recognition of a provision for retrospective disturbance allowance payments for Roads and Amenity Services staff.
170. In addition, a small number of other unadjusted errors (totalling £1.609 million) were identified during the course of the audit, where if adjustments had been made they would have increased expenditure and decreased net assets by £0.011

## Financial statements

million.

### *Whole of government accounts*

171. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The council submitted the consolidation pack for audit by the deadline. This is currently being audited for submission to the Scottish Government.

### **Report to those charged with governance**

172. We presented to the Audit Committee, on 26 September 2014, our report to those charged with governance (ISA 260). The primary purpose of that report is to communicate the significant findings arising from our audit prior to finalisation of the independent auditor's report. The main points are set out in the following paragraphs.

173. **Landfill sites:** The council owns three active landfill sites. As a result it has responsibilities regarding the restoration and aftercare costs of the sites. To comply with accounting requirements IAS 37, Provisions, contingent liabilities and contingent assets, the council should recognise these costs as a provision in its Balance Sheet. At 31 March 2014 the Valuation Office Agency placed a value of £1.595 million on the necessary works for a period of 60 years, following the cessation of tipping operations. However finance officers have stated that they do not have all of the necessary information to

accurately account for these obligations in 2013/14. The council has provided evidence to support their view that this is not material to the accounts and the decision has been taken not to amend the accounts. This amount is therefore reflected as an unadjusted error. The Council will process an adjustment in the 2014/15 accounts to recognise a provision for the restoration and aftercare costs of the three landfill sites.

174. **Equal pay claims:** The ultimate cost to the Council of the claims made under the Equal Pay Act 1970 remains uncertain and it is likely that resolution of the issue will take some time. Following receipt of updated information from the council's legal department, finance officers increased the Council's Equal Pay provision at 31 March 2014 by £368,000 to adequately reflect the potential liability. Actual settlements are subject to the outcome of several national test legal cases. The council have disclosed a contingent liability for any additional future claims that may potentially arise pending the outcome of the test legal cases. The potential equal pay liability will be reviewed on an annual basis.

175. **Reduction in net assets - Due to changes in assumptions about Employee Benefits - Pension fund liabilities:** There has been an increase in the pension liability of £18.473 million from £99.864 million at 31 March 2013 to £118.337 million at 31 March 2014. This has been due to falling bond yields being only partially offset by better than expected investment performance. The calculation of the liability is assessed by

professional actuaries each year and is an estimated figure. The increase in the pension liability in 2013/14 is part of a complex calculation which is subject to estimation and assumption about a range of factors which affect the valuation of the underlying assets and liabilities. 2014 is a triennial valuation year and therefore the Council will be updated on its long term position both in terms of its funding position and contribution rates.

**176.** Assurance is obtained from the triennial valuations of the pension fund carried out by Strathclyde Pension Fund, which assures that the pension fund remains adequately funded. The financial statements have been prepared on the basis of these assumptions.

**177. Sale of Kilbowie House, Oban:** Kilbowie House is a surplus asset and is being marketed for sale. During 2013, the Council appointed an external firm of surveyors and estate agents, to apply a commercial approach to marketing the property, with a view to obtaining best consideration. They provided the valuation of £450,000 on which the property was marketed. During 2014 several bids were received for the property and considered by the Oban, Lorne and the Isles Area Committee (OLIAC) in accordance with the Corporate Asset Management Strategy. The OLIAC rejected the offers as they were significantly below the marketing valuation, and would not represent best value for the Council. However we have established that Kilbowie House is included in the council's

fixed asset register and accounts with a value that is significantly lower than the marketing valuation. The council's figure reflects the latest valuation of the property at March 2013, as part of the council's rolling asset revaluation programme. When evaluating the bids for Kilbowie House the OLIAC were made aware of the marketing valuation but not the asset register value. In our opinion members should be provided with this information to enable them to consider the range of valuations placed on assets when they are evaluating offers.

**178.** The property is currently back on the market with a closing date to be set once it is considered sufficient expressions of interest have been received. We recommend that members are advised of both the marketing valuation and the asset register value for assets when they are evaluating offer bids.

## Outlook

**179.** The financial statements of the council are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). New standards apply from 2014/15 which will affect the group financial statements and include a change to the definition of control. This will require a reassessment of the group boundary and potentially further consolidations and disclosures.

**180.** In the longer term The 2016/17 Code requires highways to be measured for the first time on a depreciated replacement cost

## Financial statements

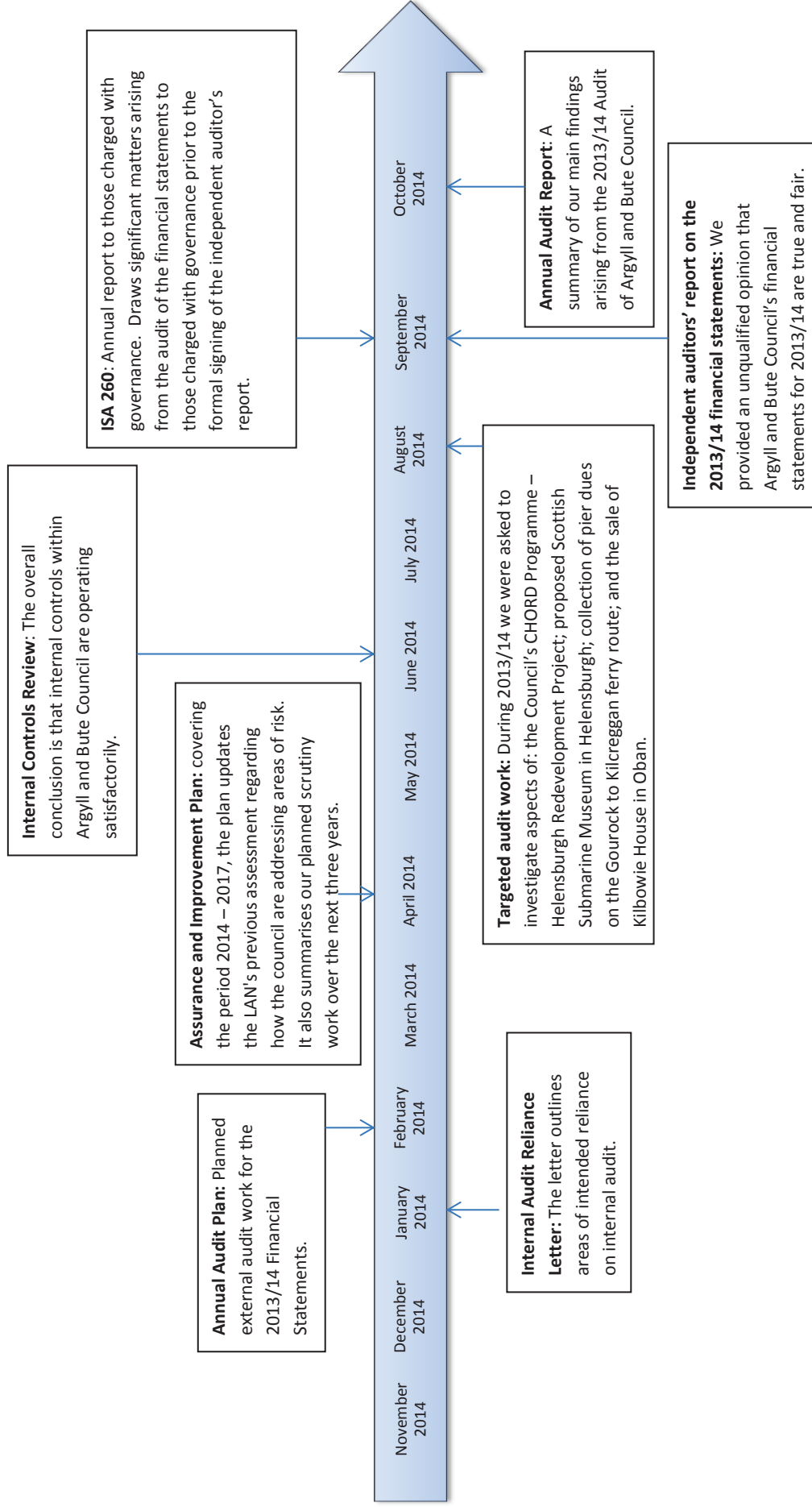
basis. This represents a change in accounting policy from 1 April 2016 which will require a revised opening balance sheet as at 1 April 2015 and comparative information in respect of 2015/16. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets. The council should ensure it is planning ahead to allow full compliance with the Code.

to the auditor and up to 31 August if necessary. In addition the audited accounts must be considered and approved for signature by the Audit Committee by 30 September with publication on the council's website by 31 October.

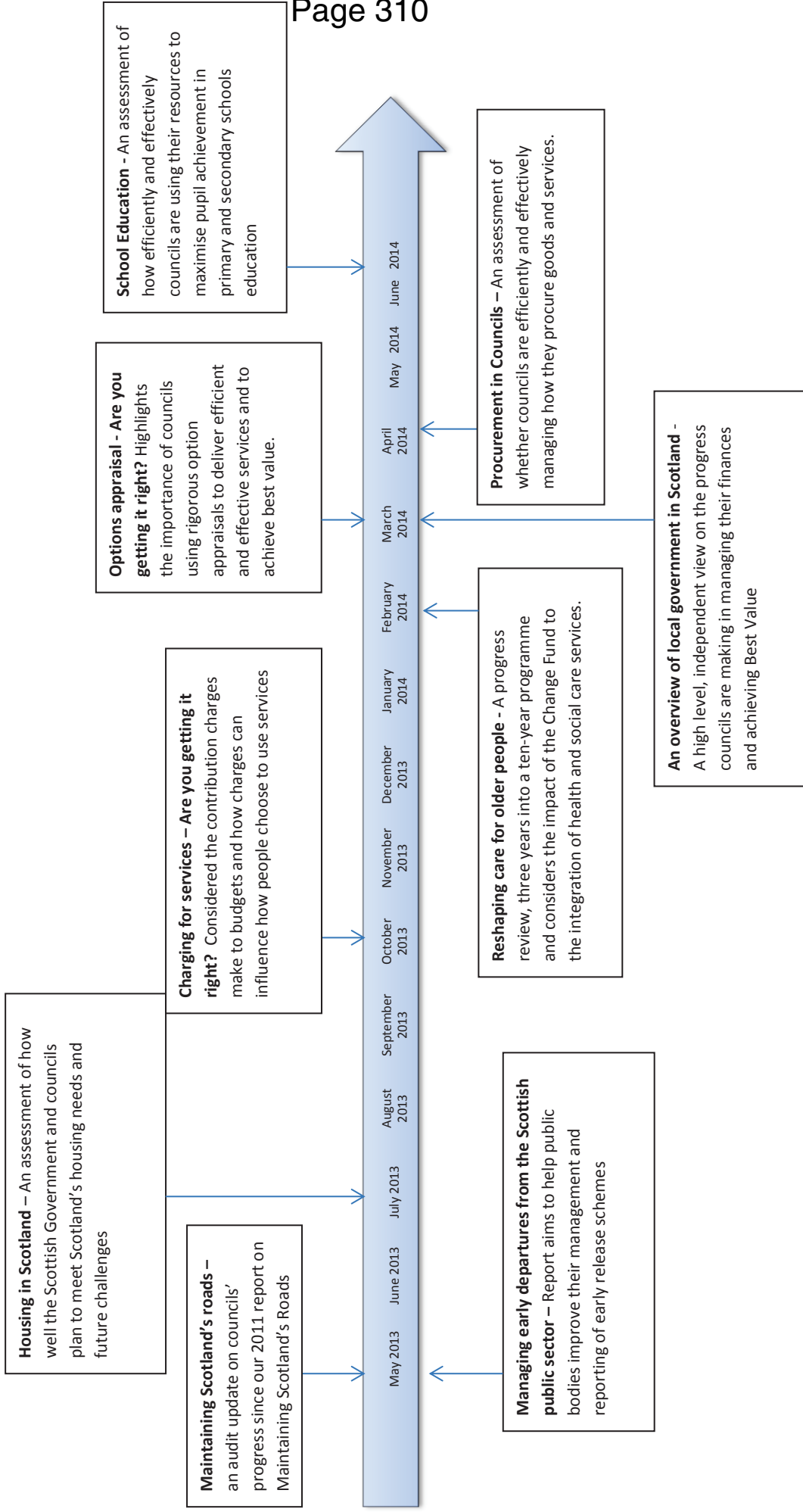
**181.** The revised Local Authority Accounts (Scotland) Regulations 2014 apply for financial years 2014/15 onwards. The regulations set out in more detail what is required in respect of financial management and internal control, and in respect of the annual accounts themselves. Some of the changes include the requirement for the unaudited accounts to be considered by the Audit Committee. This can take place following submission



## Appendix I – Summary of Argyll and Bute Council local audit reports 2013/14



## Appendix II – Summary of Audit Scotland national reports 2013/14



## Appendix III – Significant audit risks

**Appendix III – Significant audit risks**

The table below sets out the key audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure
<p><b>Financial management and sustainability</b></p> <p>The council will continue to face increasing demand and cost pressures for its services in the foreseeable future. It is facing a significant funding gap over the next seven years.</p> <p><i>Risk: the council may be unable to achieve the required savings without compromising service delivery.</i></p>	<p>The council has an unallocated balance of £13.669 million in the General Fund balance at 31 March 2014.</p> <p>The council plans to use the two-year period of financial stability (2014/15 and 2015/16) to develop and put in place proposals to address the longer-term funding outlook.</p> <p>Management are aware that difficult decisions will need to be made going forward, and will continue to monitor and scrutinise progress against savings targets.</p>
<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><i>Risk: there is a risk that the ultimate cost to the council is greater than anticipated.</i></p>	<p>The council has included a provision of £0.400 million in its 2013/14 financial statements in respect of potential expenditure arising from outstanding equal pay claims.</p> <p>The council has included a contingent liability for a small number of remaining claims where the outcome of the applications is unknown and there is insufficient information to allow the potential cost to be provided for.</p> <p>The potential equal pay liability will be reviewed on an annual basis.</p>

## Appendix III – Significant audit risks

Audit Risk	Assurance procedure
<p><b>Health and social care integration</b></p> <p>The council and NHS Highland have yet to agree an appropriate model for taking forward integration.</p> <p><i>Risk: plans to support health and social care integration are not sufficiently developed to support effective implementation of new arrangements by 1 April 2015, impacting health and social care service delivery.</i></p>	<p>Argyll and Bute Council and NHS Highland agreed in May 2014 to progress health and social care integration based on a body corporate model.</p> <p>The Chief Executive of Argyll and Bute Council is working closely with the Chief Executive of NHS Highland to oversee the work required to deliver the new partnership arrangements in line with the statutory timescales outlined in legislation.</p> <p>The scope of services was agreed by NHS Highland Board on 3 June and by the council at its meeting on 26 June.</p>
<p><b>New committee structure</b></p> <p>In June 2013 the council set up a short life working group to review political management arrangements and structures. In January 2014 the Council approved their recommendation to adopt a service committee model with separate committees for Policy and Resources, Community Services and Environment Development and infrastructure.</p> <p><i>Risk: until the new committee structure is fully embedded across the council there is a risk that inappropriate decisions may be made.</i></p>	<p>The new committee structure has been operating from May 2014 onwards.</p> <p>The statutory report follow up concluded that the new political management arrangements provide a foundation for improved governance but that it was too early to assess their effectiveness.</p>

## Appendix III – Significant audit risks

Audit Risk	Assurance procedure
<p><b>Statutory report follow up</b></p> <p>A statutory section 102 report was submitted by the Controller of Audit to the Accounts Commission in October 2013. Follow up work will be carried out to assess the progress made in addressing the report findings.</p> <p><i>Risk: insufficient progress in addressing the findings from the statutory report could hamper the decision making process and result in corporate objectives not being met.</i></p>	<p>Follow up work has been carried out with a report issued in June 2014. The follow-up audit report was considered by the Accounts Commission at its meeting on 19 June. The Commission accepted the Controller of Audit's report and is encouraged that the council is making progress against its previous findings of October 2013. It agreed however, that it is too early to assess the effectiveness of actions and plans being implemented and there is still much work to be done.</p> <p>At its meeting on 25 September 2014, the council agreed a further 10 actions points as a consequence of the follow-up report in order to support continued improvement.</p>
<p><b>Prior year issues</b></p> <p>A number of findings from our 2012/13 work require to be addressed.</p> <p><i>Risk: insufficient progress in addressing prior year issues could impact on our audit of the 2013/14 financial statements.</i></p>	<p>Issues raised in our 2012/13 Annual Audit Report have been followed up and, where relevant, included in this report.</p>

Appendix III – Significant audit risks

Audit Risk	Assurance procedure
<p><b>Castle Toward</b></p> <p>In February 2010 the council's agents marketed Castle Toward on the open market. In June 2013, the council were informed that the successful bidder was now of the view that it was no longer possible to proceed with the transaction and development as envisaged by them. The property will be re-marketed.</p> <p><i>Risk: the council may be unable to obtain best value in the disposal of Castle Toward.</i></p>	<p>We have continued to monitor developments with sale of Castle Toward.</p> <p>South Cowal Community Development Company have formally submitted a Community Right to Buy application to Scottish Ministers which was subsequently approved. The Scottish Government appointed the District Valuer to assess the market value of the property who returned a property valuation of £1.75 million.</p>
<p><b>Charities</b></p> <p>Argyll and Bute Council currently administers 22 Trust Funds having charitable status, where members are the sole trustees of the fund. These funds will require an independent audit certificate for the year ended 31 March 2014.</p> <p><i>Risk: the requirements of the Charities Act are not met in the financial statements.</i></p>	<p>Re-organisation of charities during the year reduced the number of charitable trusts to eleven. All were audited and given an unqualified audit opinion.</p>

## Appendix IV – Action plan

## Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
1/16	<p><b>Governance Statement</b> During the audit we asked that the council revise the 2013/14 Corporate Governance Statement to include a range of issues that had been omitted from the unaudited version.</p> <p><b>Risk</b> The council may not disclose all weaknesses in internal control in the accounts, which is important to demonstrate openness and accountability.</p> <p><b>Recommendation</b> The process for ensuring the 2014/15 governance statement is complete is to be reviewed.</p>			

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
2/17	<p><b>Consideration of items in public/private session.</b> The council have explained that consideration is given on each occasion as to whether a report should be held in private. Members of the public have told us that they would like to see more information available on key issues.</p> <p><b>Risk</b> If all deliberations are held in private session, members of the public do not have access to information which explains decisions being taken by their elected representatives.</p> <p><b>Recommendation</b> The Council should review the range of reports that it discusses in private and consider whether it is getting the balance right between open and closed consideration of items.</p>			



## Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
3/17	<p><b>Helensburgh CHORD project</b></p> <p>The council has acknowledged that Helensburgh CHORD project governance arrangements needed to be improved and that the project has not progressed as planned. The council is planning a post implementation review and is to continue to review the effectiveness of its revised arrangements over this and similar projects.</p> <p><b>Risk</b></p> <p>There is a risk that some objectives identified in the project plan have not been achieved</p> <p><b>Recommendation</b></p> <p>A timescale for the post implementation review and disseminating lessons learned to other projects should be set.</p>			

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
4/18	<p><b>External funding requests - Scottish Submarine Museum</b></p> <p>After considering how the submarine museum funding was dealt with, officers have acknowledged that the process for considering external funding requests needs to be formalised.</p> <p><b>Risk</b></p> <p>The council may not consider external funding requests in a robust way, which secures best value in the use of public funds.</p> <p><b>Recommendation</b></p> <p>A timetable for implementation of the formal process for considering external funding requests is to be set.</p>			

## Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
5/19	<p><b>Gourock to Kilcreggan Ferry Service</b></p> <p>As a result of late payment, most invoices issued to Clydelink for berthing dues have been subject to follow up action through the corporate sundry debtor process. The current position is that the last 3 invoices issued to Clydelink remain unpaid and discussions are ongoing with SPT.</p> <p><b>Risk</b></p> <p>The council may not receive all berthing fees due.</p> <p><b>Recommendation</b></p> <p>The council should consider obtaining a signed agreement from Clydelink, enabling SPT to pay monies due directly to the council.</p>			

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
6/29	<p><b>Financial sustainability</b></p> <p>The council continues to operate in a funding environment which is subject to sustained pressure to deliver more with less. The council faces a significant challenge to identify the required savings of approximately £77 million over the period 2016/17 to 2019/20.</p> <p><b>Risk</b></p> <p>The council is unable to achieve required efficiency savings and maintain existing standards of service delivery within reduced resources.</p> <p><b>Recommendation</b></p> <p>The council should ensure that robust plans are produced covering all required savings.</p>			

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**ARGYLL & BUTE COUNCIL****ARGYLL AND BUTE COUNCIL****CUSTOMER SERVICES****27 NOVEMBER 2014**

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**EXTRACT OF BUTE AND COWAL AREA COMMITTEE  
HELD ON 7 OCTOBER 2014**

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**4. PUBLIC AND COUNCILLOR QUESTION TIME**

The Area Governance Manager submitted a question from a member of the public which related to the councils flag flying policy and clarification surrounding it.

This was responded to by the Executive Director of Customer Services, who addressed the committee with the following points:

- Argyll and Bute Council follow the Flag Flying Policy document that was put in place in 2004, and which has not been changed since that date.
- The Executive Director of Customer Services in consultation with the Provost made the decision to fly the Commonwealth Flag on designated flag poles during the Commonwealth Games, and then revert to the adopted flag flying policy.
- Until such time as the policy may be changed, flags will be flown in accordance with the policy, ie the current default position is that no flags will be flown on designated flag poles except those flags prescribed to be flown on designated days.

**Decision**

The Area Committee unanimously agreed to recommend to Council that a full and urgent review of the adopted Flag Flying Policy is carried out, and the review should include the provision for Area Committees to identify designated dates for specific flags to be flown within their areas.

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**ARGYLL AND BUTE COUNCIL****COUNCIL****AUDIT COMMITTEE****27 NOVEMBER 2014**

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**AUDIT COMMITTEE ANNUAL REPORT 13/14**

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**1 Executive Summary**

- 1.1 This report provides an overview of the Audit Committee's activity during the financial year 2013/14 and is provided to give Members assurance that the Committee continues to discharge its duties in accordance with published guidance.
- 1.2 The report highlights the Audit Committee's opinion that a substantial level of assurance can be placed upon the adequacy and effectiveness of the Council's internal control system
- 1.3 Commentary is provided in relation to the role of the Audit Committee and its agreed terms of reference
- 1.4 The report provides detail on the reporting protocols in place and outlines various reports received during an annual cycle.
- 1.5 The Audit Committee continues to evolve and is committed to continuous development. Some key improvements are noted in the report including using the new Public Sector Internal Audit Standards (PSIAS) to introduce the internal audit charter and improvements to the process of scoping and signing off internal audits.
- 1.6 Reference is also made to Member attendance which was poor during 2013/14 however a substantial improvement has been noted for the first half of 2014/15.
- 1.7 The report outlines the roles of Internal and External Audit which are a key source of assurance for both Members and management on the effectiveness of the control environment, governance and financial management.
- 1.8 The work of Internal Audit and the External Audit programme ensure that statutory responsibilities are delivered, without the duplication of audit work. Both programmes are submitted to the Audit Committee for scrutiny. External Audit undertook some additional targeted work out-with the planned programme, the detail of which was noted at the September Audit Committee.
- 1.9 There are no financial implications arising for this report.
- 1.10 The report requests Members are asked to note the opinion of the Audit Committee that substantial assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in 2013/14

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ARGYLL AND BUTE COUNCIL

COUNCIL

AUDIT COMMITTEE

27 NOVEMBER 2014

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**AUDIT COMMITTEE ANNUAL REPORT 2013/14**

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**2 INTRODUCTION**

2.1 This report provides an overview of the Audit Committee's activity during the financial year 2013/14.

**3 RECOMMENDATIONS**

3.1 Members are asked to note the opinion of the Audit Committee that substantial assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in 2013/14.

**4 DETAIL**

4.1 **Background:** The Audit Committee continues to focus its efforts on effectively discharging its functions and responsibilities in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance of 2004 entitled "Audit Committee principles in local authorities in Scotland: a guidance note".

4.2 The Audit Committee is made up of five elected Members. The chair and vice chair are independent lay Members. The committee meets quarterly March, June September and December.

4.3 As per CIPFA's guidance, the purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

4.4 The Committee's Terms of Reference are to promote good internal control, financial and risk management, governance and performance management. This provides substantial assurance of effective and efficient operation, and compliance with laws and regulations, including the Council's Financial and Security Regulations, Contract Standing Orders and accounting codes of practice

4.5 During financial year 13/14 the Audit Committee received and reviewed reports covering:

- External and Internal Audit Annual Plans and Audit Reports;
- Quarterly Progress Reports on Internal Audit Plan;
- Audit Recommendation Follow up Reports;
- Risk Management Reports;



- Corporate Performance Audit Report;
  - Council's Assurance & Improvement Plan;
  - Financial Statements;
  - Treasury Management Assurance Report;
  - Audit Scotland/Accounts Commission National Reports;
  - National Fraud Initiative Reports;
  - Performance Management Annual review /assurance report
- 4.6 Member attendance at quarterly meetings was disappointing during financial year 13/14. However, this has improved during the first half of 14/15. In order to ensure the Audit Committee builds on its effectiveness and maintains a positive impact and high profile within the Council it is essential that Members attend scheduled meetings.
- 4.7 It is important that all Members are clear in respect of role of the Audit Committee which per the terms of reference, is primarily about providing assurance, regarding the internal control environment and governance arrangements in place within the Council.
- 4.8 It is also important that Members understand that issues or concerns which may be of political or reputational profile may not necessarily fall within the terms of reference or scope of the Audit Committee.
- 4.9 It should be further noted that, in order to maintain independence and objectivity, Internal Audit should remain free from interference by any element of the Council, including matters of audit selection, scope, procedures, timing or report content.
- 4.10 **Continuous Development:** Improving the effectiveness of the Audit Committee is a continuing priority. During 13/14 the committee introduced a number of changes resulting in additional assurance in relation to:
- Using the new Public Sector Internal Audit Standards (PSIAS) to introduce the internal audit charter and improve the process of scoping and signing off internal audits;
  - Introducing regular updates of progress by the External Audit team of their Audit Plan;
  - Revisions to the approach the Council takes to dealing with Audit Scotland National reports;
  - Enhancing the use of the Strategic Risk Register including the inclusion of an assessment of scoring /risk appetite;
  - Securing a report on the approach to mitigation actions to address economic and population decline
  - Strengthening the process of annual audit plan preparation by the use of a developed risk matrix methodology;
- 4.11 In addition to the above the Committee also holds a bi-annual development day. During 14/15 the committee is also planning to undertake a self- assessment exercise against CIPFA's recommended practice.
- 4.12 **Assurance:** Internal Audit is a key source of assurance for both Members and management on the effectiveness of the control environment. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance.

- 4.13 The Committee received regular reports and information from the Chief Internal Auditor including:
- Internal Audit's risk based planning methodology and annual audit plan;
  - Activity progress reports;
  - Control Weakness Follow up reports;
  - An Annual report from the Chief Internal Auditor in line with best practice in the CIPFA code for Internal Audit in Local Government which provided an opinion on the control environment and the effectiveness Internal Audit activity.
- 4.14 Any control weaknesses arising from Internal Audit reports are effectively dealt with due to the Committees' continued emphasis on the importance of fully implementing Internal Audit recommendations.
- 4.15 External Audit is an essential part of the process of accountability and assurance for public funds, providing an independent opinion on the financial statements, and reviewing aspects of governance and financial management. Working closely with Internal Audit, the External Audit programme ensures that statutory responsibilities are delivered, without the duplication of audit work. Both programmes are submitted to the Audit Committee for scrutiny.
- 4.16 Assurance was received from external auditors, Audit Scotland, for 2013/14 financial statements as follows:
- They presented a true and fair view in accordance with applicable law;
  - The accounts prepared properly in accordance with IFRS; and
  - The accounts prepared properly in accordance with Local Government Act (Scotland) 1973.
- 4.17 External Audit is required to report by exception on a number of areas in relation to their audit, namely accounting records, statement of governance and control, availability of information and explanation and failure to achieve a prescribed financial objective. External Audit reported no exceptions in respect of these matters for 2013/14.
- 4.18 External Audit also undertook some additional targeted work as a result of correspondence from Members of the public. Management letters were issued to the Council and the content noted at the September meeting of the Audit Committee. The chair of the Audit Committee has requested that, where applicable, Audit Scotland develop an improved protocol for communicating with Internal Audit on such matters.

## **5 CONCLUSION**

- 5.1 Based on the reports received and reviewed by the Committee and the follow up work requested, it is the opinion of the Audit Committee that substantial assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in 2013/14.
- 5.2 Throughout 2013/14 the Audit Committee evolved and continues to evolve with an agreed framework of reporting which allows it to undertake appropriate assessment of the Council's progress in addressing identified issues covering risk, governance and internal control. With a solid base established in this regard, the Committee continues to adopt a pro-active posture on the Council's operations

## **6 IMPLICATIONS**

- 6.1 Policy: None
- 6.2 Financial: None
- 6.3 Legal: None
- 6.4 HR: None
- 6.5 Equalities: None
- 6.6 Risk: An effective Audit Committee will aid effective governance.
- 6.7 Customer Service: None

**MARTIN CALDWELL – CHAIRPERSON AUDIT COMMITTEE**

**For further information contact: Kevin Anderson, Chief Internal Auditor**

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